the Freeman

Ideas on Liberty

AUGUST 1984

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Student Special

Any student, within the United States, may receive *The Freeman* each month of the school year, without charge, provided the student makes the request. Please help us spread this word.*

Or, if you wish to have *The Freeman* sent to one or more students or libraries or fraternity or sorority houses as a gift from you, merely send FEE the names and addresses and $5.00 each for the school year.

---

*NOTE TO TEACHERS: We want to encourage your use of our materials, but please do not ask an entire class of students to submit individual requests. We'd much prefer to send a bulk shipment of *The Freeman* each month. So, let us know your needs, and we'll do our best to cooperate.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the Freeman
VOL. 34, NO. 8 • AUGUST 1984

Morals and the Welfare State—A Page on Freedom, No. 10 — F. A. Harper — 451
Private property undergirds freedom.

Leave the Pricing to the Market — Russell Shannon — 452
The market solution of the Greyhound conflict.

Stewards of the Candle, Keepers of the Flame — Ridgway K. Foley, Jr. — 455
The stewardship of property and its transfer.

Myths of Employment Protection — Ronald M. Ayers — 465
Harmful restrictions on imports and capital flow.

Robber Barons and the Real Gilded Age — Edmund A. Opitz — 468
"Rugged individualists" in cahoots with government.

Orwell's *1984*—and Where We Stand — Ronald Larson — 475
Is America the victim of the poison mind?

The Drift of Modern Psychology — Ivan Thorn
A critical appraisal. — William K. Kilpatrick — 478

An Experience on the Mount of Olives — Herbert V. Prochnow — 488
We know not what we may be.

Marxspeak—Marxthink — William H. Peterson — 490
A 1984 review of some ideas of Marx.

The Market and Scarce Resources — Joseph S. Fulda — 497
The proper way to allocate.

The Effects of Airline Regulation — Christine Chmura — 498
The pros and cons of government regulation as a market alternative.

Book Reviews: — 505
"The Doomsday Myth: 10,000 Years of Economic Crises" by Charles Maurice and Charles W. Smithson
"Broken Earth: The Rural Chinese" by Steven W. Mosher
"We Must Defend America" by Lt. Gen. Daniel O. Graham

Anyone wishing to communicate with authors may send first-class mail in care of THE FREEMAN for forwarding.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the Freeman

A MONTHLY JOURNAL OF IDEAS ON LIBERTY

FOUNDATION FOR ECONOMIC EDUCATION

Irvington-on-Hudson, N.Y. 10533 **Tel: (914) 591-7230**

President:	John C. Sparks
Managing Editor:	Paul L. Poirot
Production Editors:	Beth A. Hoffman
	Amy S. VanLaar
Contributing Editors:	Robert G. Anderson
	Howard Baetjer Jr.
	Bettina Bien Greaves
	Edmund A. Opitz (Book Reviews)
	Brian Summers

THE FREEMAN is published monthly by the Foundation for Economic Education, Inc., a nonpolitical, nonprofit, educational champion of private property, the free market, the profit and loss system, and limited government.

The costs of Foundation projects and services are met through donations. Total expenses average $18.00 a year per person on the mailing list. Donations are invited in any amount. THE FREEMAN is available to any interested person in the United States for the asking. For foreign delivery, a donation is required sufficient to cover direct mailing cost of $10.00 a year.

Copyright, 1984. The Foundation for Economic Education, Inc. Printed in U.S.A. Additional copies, postpaid: single copy $1.00; 10 or more, 50 cents each.

THE FREEMAN is available on microfilm from University Microfilms International, 300 North Zeeb Road, Ann Arbor, Mich. 48106.

Reprints are available of "A Page on Freedom," small quantities, no charge; 100 or more, 5 cents each.

Permission is granted to reprint any article in this issue, with appropriate credit, except "The Drift of Modern Psychology."

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Morals and the Welfare State

STEALING and coveting are condemned in the Decalogue as violations of the basic moral code. It follows, then, that the concepts of stealing and coveting presume the right to private property, which then automatically becomes an implied part of the basic moral code. But where does private property come from?

Private property comes from what one has saved out of what he has produced, or has earned as a productive employee of another person. One may also, of course, obtain private property through gifts and inheritances; but in the absence of theft, precluded by this moral code, gifts come from those who have produced or earned what is given. So the right of private property, and also the right to have whatever one has produced or earned, underlies the admonitions in the Decalogue about stealing and coveting. Nobody has the moral right to take by force from the producer anything he has produced or earned, for any purpose whatsoever—even for a good purpose, as he thinks of it.

If one is free to have what he has produced and earned, it then follows that he also has the moral right to be free to choose his work. He should be free to choose his work, that is, so long as he does not violate the moral code in doing so by using in his productive efforts the property of another person through theft or trespass. Otherwise he is free to work as he will, at what he will, and to change his work when he will. Nobody has the moral right to force him to work when he does not choose to do so, or to force him to remain idle when he wishes to work, or to force him to work at a certain job when he wishes to work at some other available job. The belief of the master that his judgment is superior to that of the slave or vassal, and that control is "for his own good," is not a moral justification for the idea of the Welfare State.

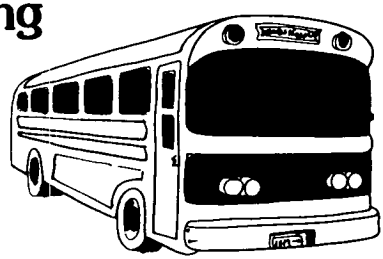
—F. A. Harper

THE FOUNDATION FOR ECONOMIC EDUCATION, INC.
IRVINGTON-ON-HUDSON, NEW YORK 10533

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Russell Shannon

Leave the Pricing to the Market



LAST FALL a friend of mine working as a ticket agent for Greyhound in Atlanta told me a strike was likely. The bus company, he said, felt the workers' wages were too high and, contrary to long-standing tradition, sought to reduce them.

On both accounts, my friend was right. Rejecting the company's final wage offer, the union struck. Not content to remain idle, the workers picketed. But the bus company was not idle either. Vowing to provide service on a limited basis, it offered jobs to all takers, at reduced rates of pay. The bus company's offices were besieged by eager job applicants—53,000 in five days.[1] That response seems to validate the company's view that wages were, indeed, "too high."

Professor Shannon teaches in the Economics Department, Clemson University.

Of course, the workers' complaint that wages were "too low" does not lack merit. With the average cost of a new home running close to $100,000 and the official level of poverty at about $10,000, average annual pay and benefits to Greyhound bus drivers of about $35,000 do not seem excessive.[2]

Clearly, in such a dispute, the two parties will disagree on what is proper. Who is right? Who should arbitrate? Why not let the market serve that function? If the bus company was having trouble hiring competent drivers and ticket agents, then it ought to pay more to attract workers away from alternate jobs. But if many people covet the jobs—even when the bus company makes wage reductions—the market is telling us that for them no better job opportunity exists. Wages in the bus

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

business should fall, not so much to help the company earn extra profit as to provide more openings for aspiring workers.

If car dealers must cut prices to empty their lots of inventories, then most people would agree that the previous prices were too high. Dealers had been charging more than their cars were worth. Similarly, if the harvest of a new crop makes fruit prices fall, then it follows that the old ones were excessive.

Of course, our government keeps the price of such items as milk above the free market level and then buys up the surpluses, using taxpayers' money. In much the same way, the union had driven wages up to a point where there was a surplus of people wanting to drive busses.

If the price of milk were permitted to drop, sales would rise and surpluses would disappear because more people can afford to buy fresh milk at lower prices. Fewer will go hungry. By the same token, lower wages can make workers more attractive and increase the number of jobs. Surely, just as price supports help dairy farmers earn more income, unions may help their members earn more pay. But other workers pay the price in terms of lost job opportunities. Open markets spread benefits among many people; closed markets confine benefits to a few.

Yet the full story has not been told. In the business of bussing, it hasn't been just the workers who have stifled competition. Just as in the case of milk, it is the government which has played a role in keeping incomes up. Thanks to the Interstate Commerce Commission, the bus companies haven't faced much rivalry. Originally set up in 1887 to regulate the railroads, the ICC was granted similar power over trucks, busses, and other modes of transportation by Congress in the 1930s.

Monopoly Privileges

In the same fashion that labor unions keep workers from competing for jobs and lowering wages, the government regulatory agency kept new bus firms from competing for passengers and cutting prices. Of course, the bus companies had to pay a price for their monopoly privileges, for they were forced to serve some areas that provided little business. But these routes had to be subsidized by other customers who paid higher rates on more popular routes, just as taxpayers subsidize dairy farmers.

When the Greyhound workers went on strike last fall, a national TV newscast vividly illustrated the plight of some customers. A number of them interviewed in a small Georgia town had lost their sole link to Atlanta. One woman depended on the bus to take her to a teaching job

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

40 miles away; another needed regular transportation to obtain medical treatment. A story painting several similarly dismal pictures of distress in Kentucky appeared in *The Wall Street Journal*.[3]

But in the Georgia case, the strike was not the real cause of deprivation. As the news report pointed out, Greyhound was about to abandon service to many rural areas as a result of deregulation. Indeed, permission to discontinue service came just after the strike began.[4]

Who is really to blame for the loss of this service? The company apparently finds that the cost of providing such service is greater than the revenues from it. If the labor union had not insisted on such high wages, perhaps the bus company could have covered its costs and maintained service. Now that the ICC is allowing new firms to enter the bus business, perhaps some new company will be able to provide service to these people.[5]

In the end, the routes that survive will be the routes that pay, not those selected by some bureaucratic process. Just as airline deregulation had provided many customers with lower fares and better service, we can anticipate the same kind of outcome for busses and their passengers.

Adam Smith wrote back in 1776: "Consumption is the sole end and purpose of all production."[6] Almost 160 years later another famous British economist, John Maynard Keynes, wrote almost the same thing: "All production is for the purpose of ultimately satisfying a consumer."[7] Politicized procedures that favor workers or profits subvert the process. With regulators in the driver's seat, the workers and the company may be better served. But the consumers will likely get a better product at a lower cost if we leave the pricing to the market.

—FOOTNOTES—

[1]"Greyhound Collides Head On With Its Union," *Business Week,* November 21, 1983, p. 47.

[2]"Greyhound Vows to Resume Service in 2 Weeks as Thousands Seek Jobs," *Wall Street Journal,* November 4, 1983, p. 5; "Bus Stop," *Time,* November 14, 1983, p. 89.

[3]Bill Richards, "Walkout at Greyhound Highlights Vulnerability of Small, Rural Towns," *Wall Street Journal,* November 15, 1983, p. 37.

[4]David Secrest, "Greyhound Can Cut Back Ga. Routes," *Atlanta Constitution,* November 11, 1983, p. 1-C.

[5]"Deregulation Will Take Bus Lines on a Rough Ride," *Business Week,* July 11, 1983, pp. 66, 68. See also, Lindley H. Clark, Jr., "Some Lessons from Airline Deregulation," *Wall Street Journal,* November 22, 1983, p. 35.

[6]Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (New York: Modern Library, Random House, 1937), p. 625.

[7]John Maynard Keynes, *The General Theory of Employment, Interest and Money* (New York: Harcourt, Brace, 1936), p. 46. For some further commentary on consumption as the purpose of economic activity, see Charles N. Stabler, "How Economists Think About World Trade," *Wall Street Journal,* November 28, 1983, p. 1.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Ridgway K. Foley, Jr.

Stewards of the Candle, Keepers of the Flame

THE incessant attrition of the Remnant, coupled with an obvious and concomitant decay of civilization, calls forth general thoughts of the consequences of morbidity and mortality, and particular concern for the concept of stewardship. All human beings realize that this earthly journey necessarily possesses a beginning and an end, and that during this pause in the inexorable gulf of time, each person acquires intellectual and spiritual things of value, if not material goods.

Some perceptive individuals reflect upon the severe constraints imposed on mankind by the regulatory state and seek to release us all from these fetters of the Leviathan; their legacy may consist of wise words or material property which they wish to dedicate to the enhancement of the freedom philosophy and the resultant surcease from human bondage. It is to these individuals alone that I address this essay from my solitary perch as an attorney who practices law with the combined purpose of representing individuals in their quest for liberty and, in so doing, enabling me to indulge in my first love, the study of the foundations of the moral private property order.

Stewardship countenances trust. A good steward wisely employs that which has been entrusted to him so as to achieve the ends directed by the creator of the trust. The virtuous steward must never substitute his judgment or his purposes for those set forth by the trust creator. In this tract, several types of stewards merit discussion: First, those persons who create value as a heritage for the future ("trustors" or "settlors" in legal parlance) and second, those individuals charged with the

Mr. Foley, a partner in Schwabe, Williamson, Wyatt, Moore & Roberts, practices law in Portland, Oregon. He is a Trustee of The Foundation for Economic Education.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

obligation of carrying out the trustors' directives ("trustees") and those individuals or institutions receiving the bounty of the trustor ("beneficiaries").

The impetus propelling this article derives from the following all-too-common occurrence: An individual, employing his talents in a principled and creative manner during his earthly sojourn, accumulates a store of wealth; he also acquires a belief in the essential premises of the freedom philosophy[1] and wishes to bequeath part or all of his estate to assure the continued exposition of that coterie of moral precepts; he seeks out legal advice and designs a trust or a foundation or any of several other juridical devices to accomplish his goal; after his demise, an objective observer perceives that those entrusted with effecting the trustor/donor's beneficent purposes actually thwart his intentions and devote his property (the "trust *res*," in the lingo of the legal profession) to persons and causes which the would-be benefactor most likely would find both loathsome and odious!

Several compelling questions arise from this common set of circumstances: First, how does the mulcting of the trust comport with principles of justice? Second, what legal means exist to rectify such thwarted expectations? Third, how better could the trustor and his counsel design his estate plan to avoid clear miscarriages of intention? I devote a few lines to each of these seminal inquiries, fully cognizant of the fact that each issue deserves far more than the cursory attention bestowed here.

Principles of Justice

The fundamental principle of justice is respect for free and nonaggressive choice.[2] One essential element therein consists in the ability of an individual to rely upon promises made in good faith. Creation of an estate plan in any one of numerous common forms entails express and implied contractual undertakings to use and guard the entrusted property as a good steward within strict moral and ideological guideposts. Consequently, *de facto* abolition of the trust by misuse of the assets for repugnant purposes not only breaches solemn covenants but also amounts to theft. In a phrase, the events described do not accord with justice.

But what of the law—does it not compel enforcement of final promises? Unfortunately, our Anglo-American jural inheritance contains state-compelled "policy" norms which circumscribe and curtail the free transfer of property by an owner at or after his death. The law, indeed, often aids the defaulting steward. The English common law—an instrument employed to es-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tablish and assure vitality to the monarchy and, hence, the Leviathan—early ordained a legislative and judicial policy against "restraints on alienation" (limits placed upon the free transfer of property by and to citizens and institutions, including those who took property by inheritance or gift). Two of several examples, the judicially-enacted "rule against perpetuities" and the Parliamentary Statutes of Mortmain, illustrate this policy. The rule against perpetuities, which survives to this day in some form in most Anglo-American jurisdictions, limits the temporal existence of many trusts.[3] The Statutes of Mortmain constrained the gifts of real property to the (Roman Catholic) Church;[4] several states currently limit the amount and type of asset which may be transferred to certain charitable institutions.

In addition, most English-speaking states enacted other legislation or created additional judicial barriers which continued to retard the untrammeled discretion of the trustor in the disposition of his property. For example, most of these United States permit a surviving spouse to take a portion of an estate in direct contradiction to a will, a trust, or any other estate planning device. Again, in earlier years, children [particularly the eldest legitimate male offspring (the doctrine of primogeniture)] occupied a favored position and could elect against or challenge transfers of property under stated circumstances.

Of course, state and federal inheritance and estate taxes, and death duties (normally steeply graduated with an eye to redistribution of wealth) further hinder implementation of the trustor/testator's wishes. The most salient governmental power invading the arena of property disposition on death involves the laws of intestate succession, which provide explicit directives for the transfer of a decedent's estate upon his death without a *valid* will—and the state courts exercise the power to determine *validity* of a will or other testamentary document![5]

Indeed, proponents of statism often argue that the case of intestate succession provides an instance of the mandatory need for the establishment of a government; the supporters of the state urge that government must exist pursuant to a Rule of Necessity and that without laws providing for the orderly transfer of property upon death *sans* directions, civil chaos would ensue. In fact, the pioneers in the Oregon Territory formed the first formal government in that region as the result of the death of Ewing Young, the wealthiest man in the area, who had the audacity to die possessed of considerable land and cattle but without a will.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

I do not choose to enter the limited government vs. rational anarchy fray at this juncture;[6] I pause only to observe that the assertion of necessity in this milieu may *not* be well taken, as property of many kinds and types could just as well return to "ferae naturae," in the quaint old English phrase, to an unclaimed natural state ready for use by the first entrepreneur to come along.

Not surprisingly, I adhere to the unpopular and distinct minority position that the creator or legitimate possessor of property should also possess unharried freedom to disperse his property as he sees fit,[7] so long as the commanded use does not coerce or work a fraud or aggressive act against another person or group, and so long as the chosen disposition does not violate or obviate a prevailing and enforceable contractual right of another.

One would hope that each of us would use good sense and basic morality in the devolution of our earthly goods, as well as our ideas—that each of us as testator or trustor would act as a good and wise steward—but I find myself quite incapable of discerning just what constitutes the ultimate reasonable or moral action for anyone else. As the old saying goes "don't criticize your brother's steps unless you have walked in his shoes."

Moreover, I surmise that the private property order cannot long survive the theoretical onslaughts of the command state if we bequeath to the government (most likely, the elite who use pressure group power, or the rabble who construct the majority) the power to divine right and wrong, good and evil. One who creates or fairly acquires value should possess the ultimate choice of the use of those things, (recalling the *caveat* concerning coercion and fraud): He should be able to consume, hoard, bequeath, give, transfer or destroy his wealth in the manner best suited to his subjective value structure *as he determines,* even if the entire world believes his actions to be cockeyed and foolish.

Does the law afford no assurance of compliance with the desires of the deceased trustor? Precious few, particularly where the trustor designs a less than traditional devise or designates an unpopular beneficent purpose—and preservation and enunciation of the precepts of liberty do not draw great favor from the standard bureaucratic judge or regulator.

Positions Change

If the gift descends to a named person or institution, judicial enforcement presents less of a problem, since the specified beneficiary possesses standing (judicially recognized ability) to sue to enforce the transfer, in addition to an obvious

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

interest in receipt of the legacy. Nonetheless, a transfer of an estate to ABC College or XYZ Foundation may work only a transitory effect for the good envisioned by the trustor: Institutions exhibit the perverse habit of change of principle depending upon the individuals at the helm, and ABC College or XYZ Foundation may, within a very short time, develop a contrary tendency, substituting the study of Marx for the sampling of Locke. The law occasions little solace to the disappointed under these circumstances.[8]

More invidiously, a deathbed transfer for a wise purpose may be interdicted after the passage of time by an all-knowing legal system which determines, as a policy matter, that the transaction bears an unlawful component which must be slaked by the mighty state. Thus, a donation by will to establish and maintain a school for "poor male white orphans" in the city of Philadelphia in 1831 may run afoul of a legal doctrine born 125 years later which would compel the doors of all educational institutions to be flung open to all members of both sexes and every race, no matter the original donor's intent.[9]

Since the law tends to reflect a varying mixture of the ridiculous and the sublime at any given time, no one can rest easy with a considered choice of bequest; a grantor must recognize that future purveyors of power may very well obviate the best of plans for the worst of reasons. The result of inhibition of personal freedom in this milieu constitutes robbery, pure and simple, and a generally uncontested one at that since the trustor cannot reach out from the grave to protest and the jural structure normally quells all potential living challenges with opprobrium or a sneering twaddle about lack of standing (there exists no legal basis for the contender to object in this case because he does not display a legally-recognizable interest).

A Tale of Three Stewards

Perhaps a litany resembling the foregoing inspired a well-known tax and probate lawyer of my acquaintance to suggest (only half in jest) that the perfect estate plan occurs when one succumbs while placing his last nickel in a slot machine. Unfortunately, that little joke contains two fundamental fallacies. First, it does not answer the question of disposition of the gambler's final account if, by chance, his last nickel calls forth four lemons; such a calamity *à la* Ewing Young might result in even greater governmental intervention in our lives, all in the grand name of necessity. Second, and more pertinently for those who take responsibility and accountability seriously, it is just such a con-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

sumption-oriented, live-for-the-day philosophy (solicited and impelled by the growth of monolithic government) which contributes mightily to decay of capital and reduction in the standard of civilization. Those who believe in responsibility and accountability for their actions here also recognize that their stewardship includes a duty to distribute wisely their material and spiritual legacies; consumption appetites leave precious little of value for the future.

Focus on the two obvious stewards, the trustor and the trustee, reveals some startling similarities in obligation. Each steward participates in a solemn contract; each must strive to fulfill that promise. Less apparent, but equally penetrating upon reflection, rests the mandate upon the third steward, the beneficiary of the gift.

At the outset, the trustor owes the obligation to choose wisely his beneficiary and his trustee, but his obligation neither begins nor ends there. This essay assumes, as its minor premise, that the trustor has created and accumulated something of value during this venture, something which should be passed forward at death.

What Is of Value?

First, then, the trustor must analyze what it is that he possesses which exhibits true and lasting value. Few of us will be noteworthy in the fourth generation hence; even with the modern wealth of paper and microfiche, all but a minuscule fraction of the present day inhabitants of this earth will be remembered imperfectly if at all; how many reading these words *really* know anything about their great grandparents: Their loves, their tragedies, their beliefs? How many students attending classes in the nation's great institutions of higher learning *really* know anything concerning the benefactor for whom their particular hall of study is named?

While moth and rust take their own sweet precious time in these days of synthetics, plastics and alloys, wordly treasures do not seem to enjoy longevity in the eternality of time. What the trustor may possess in surfeit is not so much material as spiritual or intellectual: Seminal ideas conceived and insights gained from experience in living within the boundaries of fundamental principles of natural law.

While the material largess may wither and fade after a generation or two, wisdom, if properly nurtured, will live on to guide future seekers after truth. Indeed, one acquainted with truly salient ideas may wish to cloak his own life with disguise or anonymity, the better to show forth the concepts of great

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

worth. Thus, the trustor must accumulate things of permanent value and he must acknowledge the importance of those items and his accountability therefor, before he concentrates upon the method of dissemination and distribution.

The trustor's second chore—the choice of beneficiary—affords no easier task. The commonplace disposition of goods to the immediate family often occurs by rote and with a grudging sense of duty if not outright compulsion. Few individuals objectively analyze that which they convey and their intended recipients. The man who spends his last nickel in Reno may be doing his offspring a true favor since one school of thought observes the unpleasant tendency of second and third generation legatees to "dissipate inherited wealth unwisely."[10] The true wealth conveyed to our immediate families may well consist of rules for living and canons of beliefs; these tend to prove far more lasting than a gold watch and a shuttered bungalow.

To Preserve Liberty

Suppose that the testator/trustor, cognizant of the true value which he has created and collected, wishes to pass his wealth on with the express intention of sustaining the march of liberty. How shall he choose the instrument to accomplish his goal? One common practice involves an outright gift to persons or institutions who will carry on the donor's good works. These recipients very well may be members of the family, or friends and trusted associates, or foundations, schools, churches and like enterprises. In any event, the trustor's task is similar: He must ascertain whether the recipient possesses the principle, the integrity and the honor to be a good steward of the candle handed forward at the grave.

The rule is simple; its execution proves exceedingly difficult. Human observation and analysis prove mighty deceptive: A gulf may separate appearance and reality. The heir or the foundation which today displays fidelity to fundamentals may tomorrow succumb to false doctrine and expedience. In the true sense, therefore, the recipient also possesses obligations as a steward to live up to the trust reposed in him. If the settlor chooses carefully and with attention to principle and natural order, he has discharged his stewardship obligation to the best of his ability; there remains to the recipient a duty to carry on the flame in righteousness.

One other common device exists to facilitate the transfer of property for a good cause: The ubiquitous trust, the theme impelling this introductory little essay. Although cloaked in discrete trappings, the trust adduces inquiries and prob-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

lems similar to those discussed heretofore. The trustor normally establishes a trust[11] to accomplish one of two general desires: On the one hand, he may wish to convey his estate to a person or a group or class of individuals as the ultimate beneficiaries, but he determines that the beneficiaries are not capable of prudent management and thus require a trustee to protect their interests within the guidelines of the trust; on the other hand, he may wish to diffuse his estate over a long period of time after his death for certain charitable or beneficent purposes (including, perhaps, the funding of scholars or institutions to promote the freedom philosophy), to which end he charges his trustee to carry out his will in this endeavor. As with the choice of beneficiary, the trustor must select his trustee (and any successor trustees) with astute care. As with the beneficiary, the trustee becomes a steward for the cause under acceptance of the contractual direction of the creator of the trust.

The Role of the Beneficiary

Despite some obvious examples, little attention is paid to the proclivity of some direct beneficiaries to stray from the principle of true stewardship. The law imposes no real sanction against the defaulting beneficiary who squanders his inheritance—particularly in light of the judicial disapproval of restraints on alienation. With some exceptions, most devises or bequests are transferred "in fee," an archaic notion referring to the passage of all elements of ownership in a property. Once vested with all rights in a property, the recipient may do with it as he pleases (save forceful or fraudulent use), harmoniously with the private property order. Positive law affords no means of accountability; only the natural law of consequence exacts due sanctions.

A more perplexing problem arises where a trustor dedicates his estate in trust for beneficent purposes, yet the original trustees or their successors emasculate the purposes of the instrument, ignore the mandate of the trustor, and apply the trust *res* in a manner directly contrary to the will of the trustor. As noted, the legal system offers little help: A proper recipient under the terms of the trust may challenge disbursement in a court of equity, but the chances of success of this attack ordinarily dwindle in light of general language in the document granting broad discretion to the trustees, together with a juridical propensity to slight the cause of liberty and promote the liberal doctrine of slavery.

No easy solution exists for the reflective trustor faced with the panoply of problems outlined here. Few of us are able to forecast the development of the political and legal

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

systems. Few of us can judge even our closest friends, family and advisors with unerring accuracy. Few of us display even a modicum of consistency to basic principle. In a sentence, our finiteness trips us up at the threshold and we find it almost impossible to regain our balance down the path. The most carefully chosen words and the most adeptly drafted sentences recorded on parchment suddenly obtain singular and divergent meanings at the hands of courts and legislatures bent on mischief.

Suggestions to Help the Lover of Liberty Prevail

Is it all dross, or can the thoughtful and persistent lover of liberty prevail? Only the future will answer that question in each and every instance, but I offer several suggestions to those who would heed the warning sounded, realizing that I, like Socrates, really know only that I know very little.

First, rely upon and repair to fundamental principles in harmony with natural law. Consistency and unrelenting order mark the universe; that same adherence to principle and method suggest the best chance of success.

Second, assess what is valuable within that which you own, and concentrate on the task of passing that value on to those who will appreciate the gift. Recall that man generally engages in a quest for remembrance, but that the most ornate and opulent splendor will not assure fulfillment of that dream. Note the power of ideas: those few individuals most revered from ancient history—Jesus, Socrates, Confucius—owned virtually nothing of material worth, yet their ideas guide us today.

Third, select your trustees and beneficiaries with the same care and caution that would attend the serious affairs of life. Seek out persons of principle, integrity and honor; nothing less will do. Act as a good steward; demand that your trustees and your beneficiaries perform likewise.

Fourth, provide for successor trustees and residuary beneficiaries with the same prudence; the mode of substitution should be carefully established and astutely monitored by those who share your ideals. Be aware that the flaws in the system usually develop in the secondary and tertiary selection process.

Fifth, craft the contractual instrument—be it will, trust, charter, or contract—with exceeding great care. Delineate your principles and your standards for administration explicitly, cognizant of the frailties of the language.

Sixth, during your lifetime, constantly reassess your purposes and your choice of means in view of changing developments in the world

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

and your own ever-increasing wisdom. No instrument offers such perfection that it cannot stand improvement.

Finally, when you have run the good race, rest easy in the brilliant assurance of Mr. Nock that if you have something of value to contribute, the Remnant—whom you will never know—will hear you.[12]

—FOOTNOTES—

[1]Obviously, a wealthy man or woman might also display adherence to myriad intellectual doctrines, and thus face the dilemma analyzed herein. It is the doctrinal voluntarist and his predicament which piques my concern.

[2]Ridgway K. Foley, Jr., "In Quest of Justice," 24 *Freeman*, pp. 301–310 (May 1974).

[3]For those concerned with legal dogma, the rule against perpetuities limits the life of certain trusts to "lives in being [the lifespan of at least one identified living person] plus 21 years."

[4]"Mortmain" literally meant "dead hand" in the Norman-French lexicon which served as the early English legal language. The kings, through controlled Parliaments, restricted the amount of realty which could be devised to the Church, noting that the Church in the Middle Ages served as the primary institutional rival to the monarchical state.

[5]Most states require competency of a testator (one making the will), clarity of the instrument, proper witnesses (normally, a witness cannot be one who takes a share under the will), and a host of other procedural minutiae. Moreover, some states treat wills as expunged or invalidated upon a subsequent marriage or divorce; some provide strange tests for competency, lack of fraud and duress and the like; and some jurisdictions have developed a whole host of technical rules which seem to delight in invalidating a holographic (handwritten) will. Other doctrines abound; these comments serve solely as examples.

[6]For those interested in my views on the subject, see *e.g.*, "Individual Liberty and the Rule of Law," 21 *Freeman*, pp. 357–378 (June 1971) [Reprinted at 7 Willamette Law Journal 396–418 (December 1971)] and "The Source of Sovereignty," 32 *Freeman*, pp. 167–175 (March 1982).

[7]The trustor should not be bound where his disposition is, of course, obtained by coercive or fraudulent means.

[8]Of course, individual devisees may demonstrate like deviation, even if the gift bears no ideological aspects; many a parent has bequeathed pittance or plenty to children or other heirs, allowing the latter to squander their inheritance in near record time.

[9]See *Commonwealth of Pa. v. Board of Directors*, 353 U.S. 230, 77 S. Ct. 806 (1957) and holding on remand, *In Re Girard College Trusteeship*, 391 Pa. 434, 138 A2d 844 (1958); Ultimately, the Pennsylvania Supreme Court upheld *private* administration of the school under the terms of the will. *Query:* would this holding be followed today? I think not; see a recent example of judicious meddling, *In the Matter of Johnston*, 460 NYS 2d 932 (March 21, 1983).

[10]"Wealth" in this vernacular ordinarily refers to money, property or investments. "Unwisely" constitutes a value judgment on the part of the observer which may well be unmerited and the product of envy.

[11]Trusts generally fall into two categories, *inter vivos* (a "living" trust created during the settlor's lifetime) and testamentary (created by will to become effective at death unless revoked). The cursory analysis here provided applies generally not only to both *inter vivos* and testamentary trusts but also to private foundations, charitable organizations and like institutions created for the purpose of discussion and dissemination of ideas.

[12]Albert Jay Nock, "Isaiah's Job," II *Essays on Liberty*, pp. 51–61, (The Foundation for Economic Education, Inc., Irvington-on-Hudson, New York, 1954).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Ronald M. Ayers

Two Myths of Employment Protection

In recent years organized labor and its supporters in government have campaigned for legal restrictions upon business mobility. This campaign mirrors the frequent support that has been given to trade protection by union leaders for many years. Indeed, the common objective of measures of both types is job conservation. The simple argument seems appealing that a society merely needs to legally restrict imports, or legally or institutionally restrict or discourage plants from relocating, in order to preserve employment. Eliminating the human misery caused by unemployment is a worthy goal. However, elementary economic logic is at odds with the notion that restrictions of these types provide employment protection in any meaningful sense. Furthermore, the benefits of a free economy—free resource mobility and free trade—that are forgone upon the adoption of restrictions may be substantial.

"Capital flight" is often considered to be one of the greatest evils attending a free economy. When a firm closes down or relocates, and it is a major employer in a community, the unemployment created, the human suffering and many other negative effects on the community are highly visible and immediate. The fears that communities will slowly decline and eventually die, that chronic pockets of unemployment will dot the economic landscape, and that American workers are being abandoned in favor of cheaper, unfairly priced foreign labor, become manifest today in proposals for restrictions on plant relocations, or on imports from foreign countries, or both.

While it is widely known that the major methods employed to reduce foreign imports are tariffs and quotas, the issue of restricting business mobility has arisen comparatively recently, and the methods of restriction are less well-known. Therefore, before reviewing the fallacies in-

Ronald M. Ayers is Assistant Professor of Economics in the College of Business, The University of Texas at San Antonio.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

volved in attempting to conserve jobs by these means, let us consider the specifics of how capital movement is impaired. Three categories of restrictions exist: 1) restrictions found in collective bargaining agreements, 2) restrictions legislated at the state and federal level, and 3) restrictions rendered by decisions of the courts.

Restrictions on plant relocations written into labor contracts vary in their impact. Perhaps the strongest provisions are those which permit unions to participate in plant shutdown decisions. When carried to the fullest extent, the consent of the union or of a joint union-management committee may be required before a plant may be closed or relocated.

A simpler, less obtrusive provision is the requirement of advance notice. This is one of the more common provisions, as is the requirement that severance pay be granted the displaced workforce. Sometimes, unions seek to have current employees transferred to new facilities, or seek to establish jurisdiction over new or relocated plants.

Less commonly seen provisions provide for geographic limits on relocation, and for employment services and retraining. In the most strongly worded case, no plant movement is allowed without the approval of the union.

Plant closing bills requiring employer notice have been introduced in at least nine states, and have passed in two, Maine and Wisconsin. At the Federal level, bills requiring notice and special aid for workers have been introduced regularly since 1978, but have not as yet been approved.

Adverse Effects that Stem from Employment Protection

Prevailing judicial law dealing with these matters was established by the 1981 U. S. Supreme Court decision in the *First National Maintenance Corp. vs. National Labor Relations Board* case. In summary, the Court ruled that the employer had a duty to bargain in good faith over the effects of its decision to close an operation, but no duty to bargain over that decision.

That restrictions on business mobility may arise from three sources tends to complicate matters for firms contemplating a move of some sort. Should the rhetoric favoring restrictions gather more steam, it is possible that in the future every firm will find its location decisions under scrutiny, and every firm will then have to develop a policy regarding such matters, just as firms now must deal with tariffs and quotas.

Can foreign import or plant relocation restrictions really save jobs? At what cost? The one basic economic effect that both types of mea-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

sures promote is a shift of resources from more efficient to less efficient uses. This central tenet implies several adverse effects that make very clear the fallacy of employment protection. These are:

1. Any benefit to employment is likely to be temporary. Tariffs and quotas designed to save jobs tend to cause other nations to institute protective measures of their own, leaving everyone worse off than before. A similar ripple effect among communities could well occur if plant closing laws were to become commonplace. Furthermore, such laws tend to create profitable opportunities for new firms, so that in the long-run the more immobile firms, at a competitive disadvantage to newcomers, may decline and ultimately fail.

2. Both kinds of restrictions tend to cause higher prices. Consumers are hurt, while workers in inefficient firms temporarily benefit. In the case of tariffs and quotas, the long-run result will be a movement out of more efficient industries and into the less efficient, but protected, ones. Plant closing laws have a similar long-run effect, in that resources remain stuck in inefficient uses, while the more efficient industries suffer retarded growth. Hence, plant closing laws could do harm to U.S. ability to compete on world markets.

3. The impetus to higher real income and employment provided by free trade and by capital mobility is lost when restrictions are imposed. The economic benefits of free trade have never been successfully refuted, although seemingly persuasive arguments for exceptions have been commonplace. The employment protection argument is only one of several categories of arguments favoring tariffs and quotas. The logic of international specialization according to comparative advantage refutes all such arguments. It is only through the practice of this principle that the most efficient allocation of resources and maximization of production will be achieved. Within a country, capital mobility is necessary to achieve a similar effect.

Let Freedom Prevail

The increasing interest in plant closing laws is a disturbing augury for those interested in a free economy. Economic well-being and freedom are closely intertwined. The benefits of free trade are well-known, but often ignored. The benefits of capital mobility are not so well-known, but ought to be. Encroachments upon freedom of enterprise such as those discussed here will in the long-run not only fail to achieve their objectives, but are contrary to the principles of economic freedom and will do harm throughout the economy.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Edmund A. Opitz

The Robber Barons and the Real Gilded Age

THE CIVIL WAR marks a deep cleavage in American life; the increasingly industrialized America of the latter decades of the 19th century was quite different from pre-Civil War America. The economy of the first part of the last century did of course engage in some manufacturing, but the businessman of the period was typically a merchant and a trader rather than a factory owner or mine operator. Men of ambition made money shipping lumber to China and returning with tea, opium, mandarin screens, and the like. American whalers plied their arduous trade all over the world. The Yankee clipper, sailing out of eastern ports from Baltimore to Salem, was the most beautiful thing afloat, and the swiftest vessel on the seven seas till after the Civil War.

Most Americans, during this period, lived in villages and small towns; farming was the major occupation, and rural life was a struggle for survival. Poverty was widespread, giving rise to the old New England maxim: Use it up, wear it out, make it do, or do without. Herman Melville's great novel, *Moby Dick,* tells how dirty and dangerous life was on board a whaling ship. Imagine then, if you will, what it was like trying to wrest a living out of the rocky soil of New England if life aboard a whaler was the preferred alternative!

No one would refer to the early decades of the last century as "The Era of Free Enterprise Individualism." It is the post-Civil War period

The Reverend Mr. Opitz is a member of staff of The Foundation for Economic Education. This article is from a paper presented at Roger Williams College, Bristol, Rhode Island, March 19, 1984.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

that is usually labeled so. "Free Enterprise" and "Individualism" are two very slippery terms. In any event, the decades under evaluation here are bounded, on the one side, by the Presidency of Ulysses S. Grant, and on the other, by William McKinley; roughly from 1869 to 1901. This was America's Gilded Age, so labeled by Mark Twain in his novel of that name. *The Gilded Age* expressed Mark Twain's disillusionment over the decline in his nation from the decent, old, kindly America he remembered from his boyhood to the America of Black Friday, Credit Mobilier, Boss Tweed, Tammany, and the hustle for the fast buck.

The Changing Scene

Mark Twain, in collaboration with his neighbor, Charles Dudley Warner—called "Deadly Warning" by his friends—published *The Gilded Age* in 1873. The theme of this novel is announced in the Preface: "In a State where there is no fever of speculation, no inflamed desire for sudden wealth, where the poor are all simple-minded and contented, and the rich are all honest and generous, where society is in a condition of primitive purity, and politics is the occupation of only the capable and the patriotic, there are necessarily no materials for such a history as we have constructed." But we no longer have people of this character, Mark Twain is telling us; corruption has eaten so deeply into the hearts and minds of people that he and Warner have ample material for the 453-page fictionalized history he and his friend have constructed.

In chapter 18 the authors venture a conjecture as to how this mutation in the American character had come about: "The eight years in America from 1860 to 1868 had uprooted institutions that were centuries old, changed the politics of a people, transformed the social life of half the country, and wrought so profoundly upon the entire national character that the influence cannot be measured short of two or three generations." The Gadarene progress was more rapid than Mark Twain had anticipated; it worked itself out close to the bitter end before he died thirty-seven years later.

Twain's satire was merely a prologue; the play followed, and the main characters are all well-known names. There was Commodore Vanderbilt (who conferred that naval distinction on himself because he ran a ferryboat between Staten Island and the Battery); and Jay Gould, who built himself a mansion just up the road from the property which now houses The Foundation for Economic Education. There was Daniel Drew, and Jim Fisk, and Andrew Carnegie; there was Huntington, Stanford, Harriman, Rocke-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

feller and Morgan. I've listed here ten names; add ten more if you wish, or a thousand more. The point is that these "robber barons," as they've been called, were a mere handful of men whose deeds and misdeeds have been lovingly chronicled by three generations of journalists and muckrakers.

Conniving with Politicians

These extravagant characters have been represented as exemplars of unrestrained individualism at its worst, fiercely competitive, practitioners of undiluted *laissez faire* capitalism. They were nothing of the sort. So far were they from wanting a genuinely free market economy that they bought up senators and paid off judges in order to stifle competition. They did not want a government that would let them alone; they wanted a government they could use. Had they been able to understand the original idea of *laissez faire* they would have opposed it. They were not individualists; they did not believe in a fair field and no favor; they stacked the odds against their competitors.

The last thing Vanderbilt, Gould, Carnegie and the others wanted was open competition in a game where the best man wins. To the contrary! They connived with politicians to obtain advantages for themselves by controlling government and the law; they manipulated the public power for private gain. And the government was eager to oblige.

This was done openly, and virtually everyone knew about it. Witty commentators referred to certain politicians as the Senator from coal, or the Senator from railroads, or the Senator from steel. Observing the situation in Pennsylvania, one critic was led to remark that Standard Oil had done everything with the legislature—except refine it! Such political practices were a far cry from the vision of James Madison, who had declared that "Justice is the end of government, and justice is the end of civil society." The Gilded Age was a throwback to the age-old practice of using political power for the economic advantage of those who hold office, and for their friends.

If you want the story of these men and their times, a good place to start is Gustavus Myers' *History of the Great American Fortunes*. First published in 1907, this book went through several editions here and in England. It was published in a large inexpensive edition in 1936 as a Modern Library Giant. I bought my secondhand copy in 1953; the original purchaser bought his in 1939 and it contains a gracious inscription by Myers himself: "May you be included in my next supplement to this tome."

Myers tells the reader that he was just a reformer when he began his

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

research, eager to reveal the unsavory tactics of rapacious men in business and industry in the absence of government supervision of economic life. Only later did he conclude that a radical restructuring of society—some form of socialism—was the only answer. The conclusion is a strange one. Myers demonstrates throughout his book that such powers as government exercised in this nation during the Gilded Age were misused so as to wrongfully give monetary advantage to some at the expense of others. If this government with a little power did harm, there is no reason at all to assume that a new government wielding a lot of power will do good!

I have gone through Myers' book and underlined every passage which describes a sinister alliance between politicians and these fortune hunters; there are some hundred and fifty such passages. Let me offer you a representative sample.

> . . . peculiar special privileges, worth millions of dollars.
>
> . . . as a free gift from government.
>
> . . . the free use of the people's money, through the power of government.
>
> . . . a notorious violator of the law, invoking the aid of the law to enrich himself still further.
>
> . . . causing public money to be turned over to his private treasury.
>
> By either the tacit permission or connivance of government.
>
> The simple mandate of law was sufficient authorization for them to prey upon the whole world outside their charmed circles.
>
> . . . while it was essential to control law-making bodies, it was imperative to have as their auxiliary the bodies that interpreted the law. [That is, the courts.]

I think you catch the flavor of Mr. Myers' book. He is a moralist; he is indignant; he preaches a hell-fire and brimstone sermon against the wicked men who took advantage of their fellow Americans by subverting the law from its proper role of administering an evenhanded justice between person and person. They bent the law into an instrument of plunder. But Myers is not a philosopher; he does not shape his material according to a coherent theory of the economic and political orders.

Gaudy tales about these few unprincipled buccaneers distract our attention away from the millions of Americans on the farm and in the workshops. These hard working people constituted the real American economy during the Gilded Age. This bustling, surging economy of ours received immigrants from Europe at a rate of about a million a year, and it absorbed them on our farms and in other places of work. The standard of living was rising all the while; wages doubled between 1870 and 1900.

It was an age of invention. During

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the eighty years from 1790 to 1870, the U.S. Patent Office had granted just over 40,000 patents; during the next thirty years it granted just over 400,000. New types of farm machinery transformed agriculture. To cite one instance: not one bushel of wheat had been raised in the Dakota Territory before 1881; by 1887 its wheat crop was sixty-two million bushels. In 1870 there was nothing that could be called an American steel industry; by 1900 we were producing more than ten million tons of steel annually—more than all the rest of the world combined.

The economic opportunity in America attracted millions of foreigners to these shores during these decades. These men, women and children did not uproot themselves from Europe, leaving family and friends, then undertake an uncomfortable ocean voyage, in order to be exploited; they came here because they could, by their own efforts, forge a better life for themselves in the freest economy the world had yet known.

An Economy of Opportunity

The economy was not wholly free, else there would not have been a single robber baron. But the fact that certain sharp operators piled up large fortunes by means of legally sanctioned thievery means that there was already wealth here to be stolen. The wealth they filched from the taxpayers was created by millions of industrious Americans laboring under conditions that approximated the free market. Compared to working conditions in Europe, we had an economy of opportunity. Thirty million immigrants told us so by coming to these shores, where they found a better and freer life for themselves and their descendents.

Let me retrace our steps to the place where I alleged that Gustavus Myers was long on indignation, but somewhat short on theory. He tells the sordid tale of a gang of private citizens in cahoots with government to operate a scam against the public. His fortune hunters are supposed to represent "free enterprise," but in reality, the robber barons are to the market economy what Jesse James and the Dalton brothers were to the hardy homesteaders who settled the western territories. In other words, they were more predators than producers.

We need to come to some understanding of the political order appropriate to a society of free people. By the same token, we need to know how the free economy operates, and the role of the businessman within a market economy.

Politically, I call myself an old-fashioned Whig. I'm a believer in equal justice under the law, and something of a Jeffersonian, so let me quote a few lines from Jeffer-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

son's First Inaugural Address describing the society he strove for: "Equal and exact justice to all men; of whatever state or persuasion, religious or political; peace, commerce, and honest friendships with all nations,—entangling alliances with none . . . freedom of religion; freedom of the press; freedom of person under the protection of the habeas corpus."

Later in the same Address Jefferson praised " . . . a wise and frugal government, which shall restrain men from injuring one another, which shall leave them otherwise free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread it has earned."

The function of government, in the Jeffersonian scheme, is to secure the God-given rights of all persons, to deter and redress injury, and otherwise let people alone.

Limited Government

The American Constitution is more explicit in what it forbids government to do than in what it authorizes government to do; the words "no" and "not" in restraint of governmental power occur forty-five times in the first seven Articles and the Bill of Rights. Limiting the scope and power of government maximizes individual liberty and gives us a society of free people. Government, in a free society, has no power to confer economic advantage on some at the expense of others, which eliminates "robber barons," be they individuals or groups, rich or poor. The government of a free people does not misuse its power to tax by taking wealth from those whose labor produced it and allocating it to the pressure groups who possess political influence.

Limited government under the Rule of Law maintains an even-handed justice; it keeps the peace of the community by curbing those who break the peace. It lets people alone, and it punishes any individual who refuses to let other people alone.

A free government is distinguished from other forms of government by the use it makes of the law; it employs lawful force against criminals in order that peaceful people may go about their business. This is force used in self defense. Every other political system uses legal violence against peaceful people—for any sort of reason the users of violence may conjure up. This is the aggressive use of force. The distinction is between law and tyranny, as the Greeks put it. "Let no man live uncurbed by law; nor curbed by tyranny," said the playwright Aeschylus.

Given the law order of a free society, the economic activities of men and women, as they go about the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

business of earning a livelihood, is necessarily free market and voluntary.

Consumer Sovereignty and the Free Society

In a genuinely free society, a *laissez faire* society in the early sense of this much abused phrase, the businessman is a mandatary of consumers; the customer is boss. Consumer sovereignty! Is this the way the businessman likes it? Of course not. Our businessman would like to think of himself as the man in charge, a captain of industry running a tight ship. But who's he kidding? He doesn't even have the power to set wages and prices. His competition, his employees, and his customers make those decisions for him. If he tries to lower wages he will lose his best workers to his competitors who pay the going rate or more. If he tries to raise prices, people buy elsewhere. He's stymied, and that's why he's tempted on occasion to persuade some politician to bend the rules in his favor, just enough to give him what a friend of mine called, ironically, a "fair advantage."

But when a businessman yields to this temptation he forfeits his standing as a businessman and becomes something else—a branch of the government bureaucracy. He has left the economic order, and is now part of the State. As a businessman he had no power over anyone; as a part of the State he shares, with government, the power to tax. People now have to pay for his products whether they buy them or not.

Was there "free enterprise" during the Gilded Age? Yes, there was—but not much of it on the part of the "robber barons" who were in cahoots with government. Was there "individualism" during the period? Well, there was *individuality*, but the kind of individualism which means equal freedom for every person to pursue his private goals was not a guiding policy.

But who are we, as we go stumbling down the road to serfdom, to cast the first stone?

Ludwig von Mises

IDEAS ON LIBERTY

THE very principle of capitalist entrepreneurship is to provide for the common man. In his capacity as consumer the common man is the sovereign whose buying or abstention from buying decides the fate of entrepreneurial activities. There is in the market economy no other means of acquiring and preserving wealth than by supplying the masses in the best and cheapest way with all the goods they ask for.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Ronald Larson

Orwell's *1984*—and Where We Stand

HALFWAY through Orwell's *1984*, we learn that Eastasia, Eurasia, and Oceania—the three superstates—are nearly identical in ideology and social structure. All three are brutally totalitarian; all three have economies based on continuous warfare with the others in ever-shifting alliances; and all three are characterized by a rigid social structure held together by terrorism exercised in the name of love for a never-seen godlike figure, who—in reality—doesn't exist.

We learn all of this from a secret manual which Winston Smith, Orwell's protagonist, is surreptitiously reading in his hideout.

Why and how did these states come into existence? And why do they have similar social arrangements? We cannot answer these questions with any assurance, but I'd like to offer a surmise.

Presumably, the manuscript does provide answers. We are led to believe that that is the case. But Smith's reading is interrupted by the Thought Police, and consequently our reading over his shoulder is arrested when he is. Nevertheless, Orwell leaves us with enough clues so that—with the use of imagination and existential social theory—we can offer some plausible answers. But first we must answer another question. What is there about the human animal that would allow such self-inflicted horror?

If Orwell requires us to use some imagination in answering questions about the origin and similarities of

Ronald Larson is Professor of Social Science at Wytheville Community College in Virginia.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the three states, he provides us a relatively clear view of human nature, as follows: Man's nature is best understood in terms of a contradiction; he is infinity encased within finity; his symbol-using mind is not in phase with his material body. Many philosophers have pointed out that man is the only animal who knows he is going to die. It is his knowledge of this terrible fact which is lodged at the core of man's psyche—a fact which man desperately wants to avoid or deny. One expedient man employs to deny death is to endow his society or nation with sacredness. Unable, in this secular age, to ascend to heaven, man brings "heaven" to earth.

Nationalism and/or socialism today is a religion just as surely as is Christianity. Both religions provide meaning and offer survival by associating the individual with something far greater than self. When sacredness is imputed to society, its members form a priesthood of sorts and serve as its votaries. The index of sacredness: How much does one contribute to the welfare of the system? The greater the contribution, the greater the degree of sacredness we accord the individual.

In Oceania, Big Brother is God; the Inner-Party is the upper church hierarchy; and the Outer-Party, the lower one. This church of the poison mind is omnipotent, omniscient, and infallible. Everything and everybody in Oceania are controlled by Big Brother and his church; even time is controlled. Oppose them, and you cease to exist. Correct that: you never existed. Join them and you will never cease to exist. All of this is done to deny death, by denying the self. And the process is at work in all three states. For example, in Eastasia the official ideology is termed the Obliteration of the Self.

Tocqueville's Warning of "Democracy in America"

Now we are ready to answer our questions about the origin of *1984*. I'm guessing it all started with democracy. More than 150 years ago a Frenchman, Alexis de Tocqueville, visited the United States, and his account of the visit, *Democracy in America,* has become a classic in sociological literature, for good reason. Tocqueville detected the fatal flaw in our social system. Democracy, he said, is synonymous with social equality, and social equality engenders self-centeredness. This is so because in a society where class distinctions are weak, "status anxieties" arise, and in the competition to get ahead, people are only too willing to climb over their countrymen. Tocqueville saw envy and egoism as two especially pernicious attitudes. And he was appalled at the sight of people using government to advance their various self-interests.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Tocqueville's worst fears were realized in the late 20th Century. Americans made a fetish out of their "individualism," and profound social unrest occurred. Ironically, politicians thought the cure for democracy was more democracy. A few years before the Second American Revolution, an American president chastised the people for their "loss of purpose" and their "self-centeredness"—never realizing that his equalitarian social policies were pouring fuel on the flames of unrest.

This "equality" explanation for the origin of the world-wide totalitarianism of *1984* is in accord with Orwell's analysis of how the three states maintain their existence; they are maintained by preserving the hierarchical structure of society. Equality is averted at all costs, and war, by directing resources toward guns instead of butter, is the primary instrument by which this is accomplished. In short, scarcity is a necessary condition to maintain the hierarchical structure of the states. Why? Orwell writes that "It is the deliberate policy to keep even the favorite groups somewhat near the brink of hardship because a general state of scarcity increases the importance of small privileges and thus magnifies the distinction between one group and another." Also, the party could blame the scarcity on the enemy. Thus, scarcity maintains the sacredness of Oceania, making for war abroad, but peace at home. Thus, in Oceania, War is Peace, truly.

Reprints . . .

A Page on Freedom

Each of these brief messages is a handy way to share with friends, teachers, editors, clergymen and others a thought-starter on liberty. It also serves to introduce the reader to our work at FEE.

See page 451 for this month's *Page on Freedom.* (Copies of previous messages are also available; specify title when ordering.) Small quantities, no charge; 100 or more, 5 cents each. Or, feel free to reprint the message in your own format if you'd prefer.

We hope you'll enjoy this new feature!

Order from:
FOUNDATION FOR ECONOMIC EDUCATION, INC.
IRVINGTON-ON-HUDSON, NEW YORK 10533

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Ivan Thorn
William K. Kilpatrick

The Drift of Modern Psychology

Ivan Thorn, a journalist from East Patchogue, New York, has interviewed Professor Kilpatrick concerning the nature of modern psychology and its effect on society.

William Kirk Kilpatrick is an associate professor of educational psychology at Boston College, and the author of Identity and Intimacy, *one of the first books to criticize the narcissistic drift of psychology. His most recent book,* Psychological Seduction: The Failure of Modern Psychology *(Thomas Nelson Publishers), has stirred controversy over the infiltration of psychology into religion.*

* * *

1. If your book is about the infiltration of psychology into religion, why the title *Psychological Seduction?* Well, to seduce means to lead away from duty or proper conduct. And I think this has been the result of the American flirtation with psychology. The effect of popular psychology is to make us think we only have a duty to ourselves. Of course, for a seduction to be successful, the seducer must appear attractive and he must promise a lot. Psychology fits the bill on both counts.

2. The fact that you have subtitled your book "The Failure of Modern Psychology" suggests that psychology has failed to live up to its promises. When professionals really know what they are doing you expect that sooner or later the results will show. Now, there has been an enormous explosion of helping professionals in recent years—400 per cent between 1954 and 1980 and during that same approximate period the membership of the American Academy of Child Psychiatry increased 2,000 per cent. The American Association of Sex Educators and Counselors grew from a charter membership of 250 in 1967 to 48,000 by 1976. So we would

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

expect to see some improvement in indices of social health. But this has not been the case. The divorce rate continues to climb, as do the rates of suicide, drug abuse . . . and violent crimes. In many ways the situation seems to be deteriorating. As one British sociologist put it, "If, whenever the fire brigade arrives the flames become fiercer, you have to wonder what it is they are pouring on the fire."

3. But aren't there many other factors contributing to these social ills? It would be overly simplistic to pin all the blame on psychology, that's true. On the other hand the psychological profession is in no position to argue, "Our theory is all right, it just hasn't been given a chance," because much of the theory is so obviously antisocial. You can't build a family, much less a society, on a principle of self-actualization. And you can't glorify the autonomous individual and then turn around and expect people to live and work in harmony.

4. What's wrong with self-actualization? Well, in the first place, it's a very fuzzy concept. It doesn't have the concreteness of the traditional standards by which people once tried to guide their lives—"Honor thy father and thy mother," "Thou shalt not commit adultery," "Feed the hungry," "Husbands, honor your wives," and so on. In the second place, actualizations often come in conflict. A father who spends all his time actualizing his career potential may be doing positive harm to his children's chances for developing their potential. To simply say "go actualize yourself" doesn't give us a clue as to what we should do in situations like that, unless it means always put yourself first. Unfortunately, when you read between the lines you see that this is exactly what the popular psychology expert does mean.

5. How about the emphasis on self-actualization—is it important to feel good about ourselves? That depends. If you've just done something rotten then you should not feel good about yourself. Here again, "Feeling good about myself" can be used to justify all sorts of behavior. We're all familiar with the cliché "I can't be good to others unless I'm good to myself," but that's the sort of rationale that a man uses when he's contemplating adultery. "This affair," he says to himself, "will make me feel better about myself. And if I feel better about myself then I'll be a better husband." But in reality, as we know, it rarely works that way.

6. Are you condemning all psychology? No, it's perfectly legitimate to study and describe human

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

behavior. The problem is that many psychologists are not very good observers of human nature. They tend to leave out many crucial facts. Freud, for example, was the last major theorist with enough perception to notice that there is something drastically wrong with human nature. But too many contemporary psychologists are in the business of prescription rather than description. They make up solutions before they really understand the problems. And, by the way, I don't mean to impugn the idealism or good intentions of psychologists. Many are good people who do good work and genuinely do help people. My criticisms are directed more against the way in which psychology has evolved into a philosophy of life that has filtered into every area of our culture. And I think this philosophy creates more problems than individual therapists can possibly handle. We can draw an analogy here to the welfare system. Although there are many individual social workers and welfare workers who give help to people in distress, we are beginning to wonder if the welfare philosophy itself does not create many of the problems that the welfare system is designed to cure.

7. Can you elaborate a bit? Yes. A psychological society tends to be a society of great expectations and a society of great expectations is often a society of great frustrations. A man who has been conditioned to believe he has unlimited potentials is sooner or later in for a big let down. It's ironic that the most psychologically sophisticated people history has produced should be so prone to depression.

8. On the other hand, psychologists have developed drugs that may cure depression and other mental illness. Yes, although "cure" is a bit strong. Up till now these drugs have been helpful in controlling mental illness but I don't think we can say they cure it. And, of course, they can have nasty side effects. But even supposing we could, by the use of drugs, cure people of neurotic unhappiness, we would still have the problem of what Freud called "normal unhappiness." And here again it seems to me that psychology intensifies the problem because the psychological prescription for happiness is all wrong.

9. How? We are led to believe that happiness lies within, that it can be found by greater self-awareness, or by getting closer to ourselves or some similar formula. This flies in the face of traditional wisdom which holds that happiness is to be found outside ourselves in relationship with other people and with God. I think everyday observation demands that we give the nod to tra-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ditional wisdom in this case. For example, when we say of someone that he was beside himself with laughter or that he was immersed in conversation we recognize that the best times are the times when we forget ourselves. The word ecstasy, as you probably know, comes from a Greek word which means to stand outside oneself.

10. You have a chapter entitled "The Dismal Science—1984 and Beyond." What do you mean by that? That if we're not careful we're going to end up with the same type of dismal society portrayed in Orwell's book. Only in our case it's more likely to be ushered in by smiling members of the helping profession than by jackbooted storm troopers. Orwell realized that one of the best ways of manipulating people is by manipulating the language, and the behavioral scientists are past masters at doing this. The way we think is, of course, determined to a large extent by the words available to us, so if certain words fall out of use so do certain concepts. For example, we are inundated with words such as "needs," "naturals," and "sexuals" but we don't hear much any more from "virtue," "valor," or "purity." Then, too, we don't hear much about raising families today but we hear a great deal about parenting—and that word carries the implication that having a family is no different from any other kind of career. And not necessarily the type of career that requires a full measure of devotion—mothers and fathers are now referred to by psychologists as "caretakers." It's alarming to me that many of our behavioral scientists seem intent on doing the same sort of thing totalitarianism societies do—to wipe out all special ties of emotion or allegiance such as might exist between husband and wife or parent and child. And this extreme emphasis on the autonomous individual freed from family and freed from loyalties leads straight to the police state because extreme individualism is not at all incompatible with totalitarianism. It is families, and churches, and neighborhoods, and communities that the totalitarian state fears—not aggregates of isolated individuals.

11. You spoke earlier of psychology filtering into every area of our culture—can you give an example? The most interesting example for me is the influence psychology has had on religion, particularly Christianity. The ironic thing about it is that most popular psychology flatly contradicts the Christian message, and yet many priests and pastors seem hell-bent (If I may use that term) on blending the two.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

12. If psychology and Christianity were incompatible, wouldn't church leaders be able to see that? They should but they often don't for two reasons. The first is that they are interested in helping people and psychology seems like a good way of helping people. The second reason is that psychology is a sort of counterfeit of Christianity. It looks like Christianity, sounds like Christianity and evokes Christian sentiments. Both Christianity and psychology say that we should love ourselves, both talk about the importance of our not judging others, and both say that in certain important ways we should become like little children. As a result, many Christians have let their faith become confused with psychological ideas. But this blending has all happened at the expense of Christianity. It's done enormous harm to the churches.

13. How so? Well, it's as though the American government were to hire the KGB as consultants on how to improve the American system. The philosophy of the KGB doesn't lend itself to that purpose. In a similar way the philosophy of popular psychology acts to undercut the Christian position. The prime example is the emphasis on self-acceptance. By and large, psychology says we should accept ourselves as we are. "We're O.K. the way we are and we only need to learn how to be ourselves." Christianity, on the other hand, says that "There is something wrong with us as we are, that we need a transformation before we start patting ourselves on the back." Now if psychology is right about this it reduces the good news of the gospels to the status of *nice* news—nice because there was never anything wrong with us. And all this business about needing a savior is rendered superfluous.

14. Can you give another example of this opposition? Well, let me carry the logic of my previous statement a bit further. Psychology doesn't have much use for the ideas of sin. But sin is integral to Christianity. If we are not sincerely in need of a savior then Christianity loses its point. Psychology, however, *has* been very successful in its campaign to get us to accept ourselves. The result has been a lowering of the consciousness of sin. In the Catholic Church, for example, there has been an enormous falling off of the practice of confession and this is not because Catholics have suddenly adopted the Protestant idea of confessing sins straight to God but because they know of no sins to confess.

15. Is this mainly a Catholic phenomenon? No, among some Protestant evangelicals there is a

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tendency to substitute the psychology of positive thinking for genuine Christian faith. In addition, there is an enormous susceptibility to the philosophy of self-esteem. One very prominent media evangelist has taken to calling self-esteem "the highest value" and he now describes sin as "negative self-esteem." He calls for a "new reformation" based on "self-esteem." In the "emerging reformation," he says, "psychology and theology will work side-by-side as strong allies." No one who reads this man can doubt his good intentions and his bright hopes. But anyone who can read the recent past and see the result of such alliances will not be so optimistic.

16. Couldn't it be argued that this makes religion more relevant? It's been said that he who marries the spirit of the times is soon a widower. Those churches which have tried hardest to be relevant have actually lost the most members. When you try to fit Christianity into a procrustean bed of psychology you end up cutting off all the unique and compelling parts of it. I've seen religious study texts for young Christians that go on and on about whether St. Paul had self-esteem or whether Christ had good decision-making skills. When you start reducing religion to the level of that kind of psychological jargon you lose sight of the fact that there are parts of the faith so awesome and unfathomable that they lie far beyond the reach of the social sciences.

17. Does that mean psychology is incompatible with all religion? No, it blends in very nicely with Eastern religions. Most humanistic psychologists, for example, end up espousing some form of Buddhism or Hinduism. There is a Hindu prayer which goes "I bow to the God within." That seems to be the only type of God psychology is comfortable with.

18. Is your book, then, addressed only to Christians? No, my criticism of psychology is not just that it goes against the grain of common sense. In comparing Christianity with psychology, I'm not making an appeal to faith so much as an appeal to reason. I'm simply saying that Christianity is more realistic about human nature than psychology is. It's willing to paint us as we are, warts and all.

19. Could you give an example of this greater realism? Yes, take the area of moral education. At present most American and Canadian schools are dominated by psychological models. The general techniques here are to present ethical dilemmas, discuss them in a neutral manner, and then have the student clarify his own values. Now our an-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

cestors, Christian and non-Christian alike, would have objected on two counts to this procedure. They would have observed that a moral crisis is more like a physical struggle than a mental problem. The reaction to it has to be in the "muscles" as well as the mind. In other words, virtue needs to be practiced just as tennis needs to be practiced. This is why the traditional approach to moral education placed such an emphasis on character training. On the second count they would have objected to the modern scheme on the grounds that it provides no motivation for acting morally. Most of us recognize that the difficult part of morality is not the knowing of what is right but actually doing it. What we need are models to follow—models of virtue and courage and honor and so forth. For the most part these were provided in stories: The Iliad and The Odyssey for the Greeks, Sagas for Irish and Icelanders, stories from the Bible for Christians and Jews. It's quite obvious that young people are still looking for worthy heroes to emulate. The psychological society simply refuses to give them any.

20. Why do you place such a great emphasis on stories? Because we all have a storytelling instinct and we all have an appetite for stories, just as we do for food and drink. It's a need that has been sorely neglected by psychologists. In fact, the psychological society tends to work against the elements that make for the good story: love, loyalty, heroes, and good and evil. This is why so much of our modern literature and film falls flat. Dorothy Sayers once said that "you can't have drama without dogma." That is, you need to have prohibitions that are taken seriously. I recently watched a made-for-television film in which a priest had an affair with a married woman. When she finds out about him she is shocked. And when he finds out she is married, he's shocked. And we, the audience, are supposed to be shocked as well. But, of course, we're not, because there is nothing in modern society to suggest in the first place that priestly vows or marriage vows should be taken seriously.

21. Are there other needs which psychology neglects? Yes, we all suffer and we all have a need to find meaning in our suffering. We need to feel that our suffering is not wasted. Psychology doesn't have anything to offer on that count. Suffering is made to seem like a mistake that can be avoided by rational living or else it's trivialized by being reduced to the level of a clinical symptom.

Another need that psychology neglects is what C. S. Lewis called the inconsolable longing. We all seem to

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

have a certain desire or need that never is satisfied. No matter how much we have there is still a part of us that feels unsatisfied and incomplete. Aldous Huxley said "Sooner or later one asks even of Shakespeare, even of Beethoven, 'Is that all?' " I don't think psychology has any adequate explanation for this longing.

22. In your book you make a distinction between the therapeutic criterion of belief and the religious criterion; would you elaborate? The basic therapeutic criterion for judging a belief is to ask: "Will it meet my needs?" or "Will it make me feel good?" The religious criterion is "Is it true?" The interesting thing is that many religious people are now adapting the therapeutic criterion—which is, of course, a completely subjective one. I once talked to a Harvard Divinity School professor who favored the "Gnostic Gospels" over the Gospels of Matthew, Mark, Luke and John because "the masculine gospels didn't meet the needs of women." It did seem not to matter to her whether or not the Four Gospels were true, nor did she seem to care if the Gnostic Gospels were true. She was only interested in meeting needs.

23. Where did you come by the idea for your book? The school of hard knocks. For a number of years I drifted away from Christianity and for all intents and purposes psychology became my religion. I had a great deal of faith in it but it turned out not to be a very satisfactory faith. It simply did not fit the facts of my life or those of others I knew. I should add that my initial interest in psychology came about at the prompting of priests and ministers. In retrospect, it was a classic case of wolves in sheep's clothing.

24. Do you see this as a deliberate infiltration—a conscious attempt to undermine Christianity? No. As I say, most of the undermining is being done by Christians themselves and usually with the best of intentions. I would call it a case of trying to serve two masters. When you try to do that, one of them doesn't get served very well. A good example is a religious study text for Catholics which features a 3-page extract on marriage from a book by psychiatrist Carl Rogers but only devotes two sentences to Christ's teachings on the subject. The inference is obvious; the psychological message is the one to listen to. The same applies to a priest who declared children should not be taught the Ten Commandments—it was bad psychology, he said.

25. Many clergy in all denominations seem to be convinced that

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

psychology in general, and the idea of self-acceptance specifically, can help Christians with their faith. It's been my observation that Christian priests who are heavily swayed by psychology tend to use it as the criterion by which they judge Christianity rather than the other way around—which I think is improper. In other words, for them the psychology comes first and the Christianity comes second. The other thing that I think happens is this, that there is so much emphasis in psychology in having harmony and wholeness and superficial peace of mind and, of course, being free of guilt that those who are married to psychology will do just about anything to help people get rid of their guilt. The human problem of course is that there is always a discrepancy between our belief, our ideals and our behavior. Now the traditional Christian or religious response has been to keep the beliefs and to try to change the behavior: realizing that we're only human and that we fall down and that we need the grace of God. The psychological idea seems to be that instead of changing the behavior you change the beliefs—beliefs being considerably easier to change than behavior. This is called improving your self-concepts, in other words, if there are particular things which you would like to do but they seem wrong to you for religious reasons or whatever, then the smart thing to do is to readjust your thinking. And in that way you won't have to worry so much about readjusting your behavior which is a more difficult task. So I think what happens is that the emphasis on self-esteem, on liking ourselves, becomes predominant here so that self-esteem is allowed to cover a multitude of sins. I think in that way we can really become worse through self-acceptance.

26. Do you have other instances of the Christian message being judged against psychological criterion? Yes, I've heard of situations where parish priests had forbidden certain catechisms to be used in their parishes by the teachers because these catechisms were not psychologically relevant. I know of one case where a priest actually tore up one of these catechisms in front of a group of teachers to emphasize his point. This was the catechism he favored, by the way, but it carried a picture of the crucifixion. I think that's interesting because what it suggests, of course, is that the whole idea of the crucifixion flies in the face of the psychological idea that we're O.K. and that we ought to feel good about ourselves. When you have a conflict like this, of course, something has to go and what goes is the picture of the crucifixion and that reminder that not all is well with human nature.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

27. Do you have any final observations? Yes, since psychology can offer no consolation in the face of suffering and no hope of an afterlife, it places a very great emphasis on being a winner in life. But the fact is, most of us are losers by psychology's standards. How many of us attain to that level of success and mental health portrayed in the self-help books? The standards of success are not only very narrow, they have a narrowing effect on us.

28. I think it has a corrosive effect on our personality—this constant striving after mental health, this ambition to be a winner at all costs. Yes, it's often remarked that Catholics are about 10 years behind the times. Most of the four ideas I've criticized are now being abandoned by serious psychologists as selfish and socially destructive. Yet many Catholic educators still cling to them, and in particular to the more shallow and naive types of psychology. The irony is that they're climbing on board ship just at the moment the psychologists themselves are abandoning it. It's an unnavigable ship and a leaky one.

IDEAS ON LIBERTY

Emerson in Suburbia

To most of my students in suburbia I assigned both "Self-Reliance" and "Heroism," the essays in which Emerson makes his strongest appeals for integrity of thought and conscience. One boy, a thoughtful one and a student leader, made an objection to Emerson that immediately had the rest of the class echoing with approval. It was to Emerson's statement, "Society everywhere is in conspiracy against the manhood of every one of its members." The boy asked, "What was the matter with Emerson? Was he angry at society?" He implied that only dyspepsia could account for such an attitude. Turning to the class generally I asked, "Haven't *you* ever felt social pressure?" Of course, they admitted that they had. But they did not feel that this was pressure against their own integrity. Rather, they grudgingly said that social pressure is something to be grateful for. "It helps us when we get out of line."

"Heroism" made even less sense to them than did "Self-Reliance." The students commented on it with restrained contempt, "The hero," said Emerson, "is a mind of such balance that no disturbances can shake his will, but pleasantly and, as it were, merrily he advances to his own music, alike in frightful alarms and in the tipsy mirth of universal dissoluteness." One of the more precocious boys asked, as we considered this, whether or not Emerson was paranoid.

SAMUEL WITHERS

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Herbert V. Prochnow

An Experience on the Mount of Olives

SHAKESPEARE once said, "We know what we are, but know not what we may be." This statement applies especially to nations.

One night I stood on the top of the Mount of Olives with one of the world's great scholars who was in Jerusalem translating the Dead Sea Scrolls of the Old Testament. He was one of only three persons in the world asked by Israel to translate these scrolls. Only a short distance away was the little village of Bethany and on beyond in the distance was the city of Jericho, the oldest city known to man. To the right was the Dead Sea, and the soft light of an October moon was falling gently across its calm waters.

We turned and looked in the other direction down the barren rocky slope of the Mount of Olives. On the left at the bottom were the dark, old olive trees of the Garden of Gethsemane. Just across a little valley a few blocks in width was Jerusalem on the opposite hill. In that historic spot that evening it seemed to me I could look down through the centuries. There was the place where Solomon—who "exceeded all the kings of the earth in riches and in wisdom"—had built his temple. There was the place where many of the great figures of Jewish and Christian history—Abraham and Isaac and David and Peter and John and Matthew—had walked.

Dr. Prochnow of Evanston, Illinois, is a former professor, government official, and banker and is a well-known author and lecturer on political and economic affairs.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

There was the birthplace of both the Jewish and Christian religions. There was the place where many of the ideals of Western civilization had been born. There the authorities of the great Roman empire had sent its armies to those distant frontiers. Rome had the greatest armies in its history. With their skill in law and government, with their distinguished judges and generals, the citizens of Rome could say with pride, "We know what we are—the greatest nation of our time." But they did not know that the Roman empire would gradually disintegrate and fall.

As I looked down the centuries that night, I also saw a very great nation—Egypt—once the mother of the arts and sciences, but now with her people in poverty. I saw Athens, where Plato taught and Pericles gave his nation the Golden Age. In her pride, Athens may well have believed that her culture would determine the future of architecture, science, mathematics, and medicine for centuries, and it did. But Athens did not know that she too would fall and never again regain her former power. In these great centers of civilization there was wisdom. There was genius. There was power. They knew what they were, but they did not know what they were to be.

That evening I saw other great empires through the centuries—Great Britain, Spain, Portugal, France, Austria-Hungary, Germany, Belgium, Turkey, the Netherlands. They knew what they were—powerful empires of their time. But they did not know that one night in August 1914, the somber shadow of war would fall across the world, only to be followed by a second world war, engulfing almost all of mankind and ending only when the terrifying clouds had left behind their dead at Hiroshima. These great empires knew what they were, but they did not know that all of them would fall by the end of the Second World War.

We know what we are—a nation at the peak of its greatest power, and yet unwilling to live within its income. This has been true for many years. A nation with great industries and a highly skilled labor force, but with a large deficit in its international trade. A nation whose people have one of the highest standards of living in history, but where the influence of the family has lessened and where students unable to read or write have graduated from high schools.

We know how great our achievements have been, but will we now meet the hard problems confronting us?

We can succeed if we bring to our problems the character, wisdom and courage that made us a great nation.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

William H. Peterson

MARXSPEAK—MARXTHINK

A spectre is haunting Europe—the spectre of Communism.[1]

The proletarians have nothing to lose but their chains. They have a world to win. Working men of all countries, unite![2]

So read the opening and closing lines of *The Communist Manifesto* by Karl Marx and Friedrich Engels—prophetic lines in view of half of Europe being today under direct Communist rule as is much of the globe from Havana to Hanoi.

The triumph of Marx, however, transcends lands and peoples living under Marxist rulers. For the fact is that many Marxist dictums and ideas have insinuated their way into Western thought and institutions. Marxspeak-Marxthink is, I submit, claptrap; but as Paul Joseph Goebbels, Hitler's propaganda chief, reminded us, a lie told often enough sooner or later begins to sink in. History shows Marxspeak-Marxthink is seductive. Modern collective bargaining, for example, frequently betrays an adversarial relationship of "us" vs. "they," of "labor" vs. "management" or even "labor" vs. "capital." Or as Marx and Engels portrayed the antagonists:

> Our epoch, the epoch of the bourgeoisie, possesses . . . this distinctive feature: it has simplified the class antagonisms. Society as a whole is more and more splitting up into two great hostile camps, into two great classes directly facing each other: Bourgeoisie and Proletariat.[3]

Yet Marx's dialectic, while strong

Dr. Peterson is the director of the Center for Economic Education and the Scott L. Probasco Jr. Professor of Free Enterprise at the University of Tennessee at Chattanooga.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

politically, is weak logically, with the weakness stemming from Marx and Engels themselves, from their admissions and inner contradictions, especially in the light of the historical record, open to all, of Capitalism vs. Communism and Socialism.

Cutting the Class System

Take, for example, their admission on the cutting-down of the class system from the *Manifesto* (1848, quotations from the authorized 1888 English edition):

> Modern industry has established the world market, for which the discovery of America paved the way. This market has given an immense development to commerce, to navigation, to communication by land. This development has, in its turn, reacted on the extension of industry; and in proportion as industry, commerce, navigation, railways extended, in the same proportion the bourgeoisie developed, increased its capital, and pushed into the background every class handed down from the Middle Ages.[4]

Or this related admission on class-dissolving capitalism, same source:

> The bourgeoisie [read capitalism], by the rapid improvement of all instruments of production, by the immensely facilitated means of communication, draws all, even the most barbarian, nations into civilization. The cheap prices of its commodities are the heavy artillery with which it batters down all Chinese walls, with which it forces the barbarians' intensely obstinate hatred of foreigners to capitulate. It compels all nations, on pain of extinction, to adopt the bourgeois mode of production; it compels them to introduce what it calls civilization into their midst, i.e., to become bourgeois themselves. In one word, it creates a world after its own image.[5]

Capitalism's Productivity

And another admission—this one on Capitalism's enormous productivity and wage-raising ability—from the *Manifesto:*

> [Capitalism] has been the first to show what man's activity can bring about. It has accomplished wonders far surpassing Egyptian pyramids, Roman aqueducts, and Gothic cathedrals; it has conducted expeditions that put in the shade all former Exoduses of nations and crusades . . . [Capitalism], during its rule of scarce one hundred years, has created more massive and more colossal productive forces than have all preceding generations together. Subjection of Nature's forces to man, machinery, application of chemistry to industry and agriculture, steam-navigation, railways, electric telegraphs, clearing of whole continents for cultivation, canalization of rivers, whole populations conjured out of the ground—what earlier century had even a presentiment that such productive forces slumbered in the lap of social labor?[6]

But with these admissions come many an inner contradiction. Note, for example, how naive Marx and Engels were about division of labor in their *German Ideology,* first pub-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

lished in part in 1847. Here they saw specialization, i.e., division of labor, which Adam Smith thought was at the heart of productivity, as a bourgeois trap. They wrote:

> For as soon as labor is distributed, each man has a particular, exclusive sphere of activity, which is forced upon him and from which he cannot escape. He is a hunter, a fisherman, a shepherd, or a critical critic, and must remain so if he does not want to lose his means of livelihood; while in communist society, where nobody has one exclusive sphere of activity but each can become accomplished in any branch he wishes, society regulates the general production and thus makes it possible for me to do one thing to-day and another to-morrow, to hunt in the morning, fish in the afternoon, rear cattle in the evening, criticize after dinner, just as I have a mind, without ever becoming hunter, fisherman, shepherd or critic.[7]

Capital: Friend or Foe?

Or consider this excerpt from Marx's *Capital* (in which capital—i.e., tools—is likened to the worker's foe while it is in fact the worker's friend, boosting productivity and hence wages and living standards, including shorter work-days and work-weeks):

> If machinery be the most powerful means for increasing the productiveness of labor—i.e., for shortening the working time required in the production of a commodity, it becomes in the hands of capital the most powerful means, in those industries first invaded by it, for lengthening the working day beyond all bounds set by human nature.[8]

Or observe the following quotation on how labor and capital—Marx and Engels loved to deal in monoliths, never in individual human action—necessarily split apart, supposedly. No proof is given, only bald assertion:

> Along with the constantly diminishing number of the magnates of capital, who usurp and monopolize all advantages . . . grows the mass of misery, oppression, slavery, degradation, exploitation; but with this too grows the revolt of the working class, a class always increasing in numbers, and disciplined, united, organized by the very mechanism of the process of capitalist production itself. The monopoly of capital becomes a fetter upon the mode of production, which has sprung up and flourished along with, and under it. Centralization of the means of production and socialization of labor at last reach a point where they become incompatible with their capitalist integument. This integument is burst asunder. The knell of capitalist private property sounds. The expropriators are expropriated.[9]

The Record vs. the Prediction

Yet the record of Capitalism, more than a century after publication of Volume I of *Capital* (1867), shows no innate tendency toward misery, monopoly, private centralization, labor socialization and bursting asunder. Nor do the work-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ers appear to come under, according to the *Manifesto,* "naked, shameless, direct, brutal exploitation."[10] Nor are they "slaves"[11] and "oppressed"[12] by the capitalists.

Indeed, capitalist wages hardly conform to the formula described in the *Manifesto:*

> The average price of wage labor is the minimum wage, i.e., that quantum of the means of subsistence which is absolutely requisite to keep the laborer in bare existence as a laborer. What, therefore, the wage-laborer appropriates by means of his labor, merely suffices to prolong and reproduce a bare existence.[13]

Abolition of Private Property

Nor does the idea of doing away with private property seem to appeal to workers, for the *Manifesto* baldly proclaimed that "the theory of the Communists may be summed up in the single sentence: Abolition of private property."[14] Continued Marx and Engels:

> You are horrified at our intending to do away with private property. But in your existing society, private property is already done away with for nine-tenths of the population; its existence for the few is solely due to its non-existence in the hands of those nine-tenths. You reproach us, therefore, with intending to do away with a form of property the necessary condition for whose existence is the nonexistence of any property for the immense majority of society.[15]

Abolition of private property has implications for marriage, home and children. To wit:

> The bourgeois clap-trap about the family and education, about the hallowed co-relation of parent and child, becomes all the more disgusting, the more, by the action of Modern Industry, all family ties among the proletarians are torn asunder, and their children transformed into simple articles of commerce and instruments of labor . . . Our bourgeois, not content with having the wives and daughters of their proletarians at their disposal, not to speak of common prostitutes, take the greatest pleasure in seducing each other's wives. Bourgeois marriage is in reality a system of wives in common and thus, at the most, what the Communists might possibly be reproached with, is that they desire to introduce, in substitution for a hypocritically concealed, an openly legalized community of women. For the rest, it is self-evident that the abolition of the present system of production must bring with it the abolition of the community of women springing from that system, i.e., of prostitution both public and private.[16]

Peace, Prosperity, Freedom

Well, with the abolition of private property and the wage system, what takes its place? Why nothing but peace, individual prosperity and universal freedom. On peace, the *Manifesto* proclaimed:

> In proportion as the exploitation of one individual by another is put an end to, the exploitation of one nation by another will also be put an end to. In proportion

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

as the antagonism between classes within the nation vanishes, the hostility of one nation to another will come to an end.[17]

On individual prosperity, Marx and Engels held:

In bourgeois society, living labor is but a means to increase accumulated labor [i.e. capital]. In Communist society, accumulated labor is but a means to widen, to enrich, to promote the existence of the laborer . . . Communism deprives no man of the power to appropriate the products of society; all that it does is to deprive him of the power to subjugate the labor of others by means of such appropriation.[18]

And on freedom, Engels wrote in *Anti-Duhring* (1877):

As soon as there is no longer any class of society to be held in subjection, there is nothing more to be repressed which would make a State necessary. The State is not abolished, it withers away. The government of persons is replaced by an administration of things.[19]

Each for All

This pleasant thought, this innocuous "classless society," this mild "administration of things," appeared earlier in the *Manifesto* as a thought when Marx and Engels said that "public power will lose its political character."[20] They added:

In place of the old bourgeois society, with its classes and class antagonisms, we shall have an association, in which the free development of each is the condition for the free development of all.[21]

But equal pay in the Communist paradise cannot be immediately instituted. Why? Admitted Marx and Engels:

. . . One man is superior to another physically or mentally and so supplies more labor in the same time, or can labor for a longer time; and labor, to serve as a measure, must be defined by its duration or intensity, otherwise it ceases to be a standard of measurement. This equal right is an unequal right for unequal labor . . . These defects are inevitable in the first phase of communist society as it is when it has just emerged after prolonged birth pangs from capitalist society . . .

In a higher phase of communist society, after the enslaving subordination of individuals under division of labor, and therewith also the antithesis between mental and physical labor, has vanished; after labor, from a mere means of life, has itself become the prime necessity of life; after the productive forces have also increased with the all-round development of the individual, and all the springs of co-operative wealth flow more abundantly—only then can the narrow horizon of bourgeois right be fully left behind and society inscribe on its banners: from each according to his ability, to each according to his needs![22]

Revolutionary Dictatorship

Marx and Engels made an even stronger admission about the Worker's Paradise. A one-party dictatorship was a necessary if temporary junction between Capitalism and Communism. They wrote:

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Between capitalist and communist society lies a period of revolutionary transformation from one to the other. There corresponds also to this a political transition period during which the State can be nothing else than a revolutionary dictatorship of the proletariat.[23]

These two almost offhand sentences became end-justifies-the-means commandments for the Bolsheviks, for Nikolai Lenin and Joseph Stalin and their successors. Heinous crimes become affairs of state. Western Civilization is threatened as never before.

Yet, apart from all this grotesque logic and doublespeak, what is really scary about Marxism is the degree to which capitalist nations seem oblivious to the *Manifesto*'s call not only for "the forcible overthrow of all existing social conditions"[24] but for first winning "the battle of democracy."[25]

Beware the Contradictions Between the Means and the Ends

All the more reason, then, to be wary of Marxspeak-Marxthink. Said Marx and Engels:

Of course, in the beginning, this cannot be effected except by means of despotic inroads on the rights of property, and on conditions of bourgeois production; by means of measures, therefore, which appear economically insufficient and untenable, but which, in the course of the movement, outstrip themselves, necessitate further inroads upon the old social order, and are unavoidable as a means of entirely revolutionizing the mode of production.

These measures will of course be different in different countries. Nevertheless, in the most advanced countries, the following will be pretty generally applicable:

1. Abolition of property in land and application of all rents of land to public purposes.
2. A heavy progressive or graduated income tax.
3. Abolition of all right of inheritance.
4. Confiscation of the property of all emigrants and rebels.
5. Centralization of credit in the hands of the State, by means of a national bank with State capital and an exclusive monopoly.
6. Centralization of the means of communication and transport in the hands of the State.
7. Extension of factories and instruments of production owned by the State; the bringing into cultivation of waste-lands, and the improvement of the soil generally in accordance with a common plan.
8. Equal liability of all to labor. Establishment of industrial armies, especially for agriculture.
9. Combination of agriculture with manufacturing industries; gradual abolition of the distinction between town and country, by a more equable distribution of the population over the country.
10. Free education for all children in public schools. Abolition of children's factory labor in its present form. Combination of education with industrial production, etc., etc.[26]

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The Bitter Consequences

Marx's last years were pathetic. Sickly, poor, ignored, hated (especially by those on the Left), alone, cynical, restless, sleepless, torn by doubt, friendless (save for Engels), he died at the age of 65 in London on March 14, 1883. Three days later he was buried alongside the grave of his wife in Highgate Cemetery. Eight people gathered at the gravesite for the brief service. Engels spoke, pompously but prophetically:

> The greatest living thinker will think no more. Soon the world will feel the void left by the passing of this Titan . . . His name and his work will live for centuries to come.[27]

—FOOTNOTES—

[1]Karl Marx and Friedrich Engels, *The Communist Manifesto* (New York: Penguin Books, Inc., 1967), p. 78.
[2]*Ibid.*, pp. 120–121.
[3]*Ibid.*, p. 80.
[4]*Ibid.*, p. 81.
[5]*Ibid.*, p. 84.
[6]*Ibid.*, pp. 83–85.
[7]Karl Marx and Friedrich Engels, *The German Ideology* (New York: International Publishers, Inc., 1939), pp. 22–23.
[8]Karl Marx, *Capital*, Vol. I (Chicago: Charles H. Kerr & Co., 1906), p. 97.
[9]*Ibid.*, pp. 836–837.
[10]*Op. cit.*, p. 82.
[11]*Ibid.*, p. 88.
[12]*Ibid.*, p. 80.
[13]*Ibid.*, p. 97.
[14]*Ibid.*, p. 96.
[15]*Ibid.*, p. 98.
[16]*Ibid.*, p. 101.
[17]*Ibid.*, p. 102.
[18]*Ibid.*, pp. 97–99.
[19]Friedrich Engels, *Anti-Duhring*, 3rd ed. (Moscow: Foreign Languages Publishing House, 1962), p. 385.
[20]*Op. cit.*, p. 105.
[21]*Idem.*
[22]Karl Marx and Friedrich Engels, *A Critique of the Gotha Programme* (New York: International Publishers, Inc., 1938), pp. 13–14.
[23]*Ibid.*, pp. 44–45.
[24]*Op. cit.*, p. 120.
[25]*Ibid.*, p. 104.
[26]*Ibid.*, pp. 104–105.
[27]Quoted by Leopold Schwartzschild, *The Red Prussian* (New York: Charles Scribner's Sons, 1947), p. 407.

IDEAS ON LIBERTY

Samuel B. Pettengill

No, my friends, Karl Marx did not have the answer—he lifted no burdens from human backs. The answer is not in the class struggle. The answer is in competitive free enterprise. The answer is in the cooperation of inventor and investor; in the cooperation of the manager and the worker with his know-how. The answer is to substitute slaves of iron and steel for the strength of human backs. The answer is constitutional liberty, which sets men free and says that what any man honestly makes is his "to have and to hold."

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Joseph S. Fulda

The Market and Scarce Resources

ONE of the most recurring canards levelled against the market is that it promotes the ravaging of our natural resources by profit-hungry businessmen, fails to urge conservation in the face of scarcity, creates pollution, and otherwise disfigures the natural environment. Nothing could be further from the truth. As a resource becomes scarcer and scarcer, its price rises in lockstep, thus assuring that wary consumers will conserve. Furthermore, the higher the price the more incentive a businessman has to try to produce more, and produce he will. Finally, alternatives to the resource, once too expensive, are now cheap by comparison. And, as Julian Simon points out in *The Ultimate Resource,* the human mind can always find an alternative which satisfies the same basic need as does a given resource.

When the resource is used in industry, not only is conservation promoted, but only those producers who can use the resource most efficiently will obtain it. Even after paying the price that scarcity has determined, they must still be able to turn a profit—no mean feat.

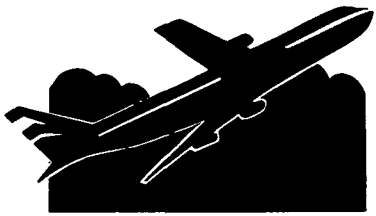
As for pollution and disfiguration of the natural environment, these are costs of the production process. But provided third-party effects are adequately remedied, they will be tolerated only so long as the *consumer* believes that the cost of pollution is worth bearing in light of the products he is to receive. The moment people generally believe that what is being produced is not worth the costs to the environment, they will cease paying the premium that those goods must of necessity include in their price to compensate the third parties whose properties are directly damaged by the production process.

Best of all, the pricing system works automatically, responding to even slight diminutions in the supply and to even slight changes in consumer preferences. The alternative to the market method of dealing with scarce natural resources is a system of allocation and rationing together with protective regulations which can never hope to match the discrimination and immediacy of the pricing system.

Joseph Fulda is Assistant Professor of Computer Science at Hofstra University.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Christine Chmura



The Effects of Airline Regulation

FIVE YEARS after the Airline Deregulation Act was passed, some are calling for re-regulation of the airline industry. Opponents of deregulation are blaming the financial demise and difficulties of the old trunk airlines on deregulation. Proponents, on the other hand, contend that regulation would continue to encourage inefficiency and would result in even higher fares if deregulation did not take place. Are the powers of the free market inadequate to provide satisfactory air travel service? Or is government intervention necessary?

There are two prevalent views in contemporary economic thought explaining the driving force behind the regulation of industries. The first view, called the public-interest theory of regulation, assumes that regulation is established primarily for the benefit of society or some large subclass of society at the expense of regulated firms. In this case, the government is the mechanism by which individuals in the economy express their demands to cure market failures such as public goods, monopolies, and spillover problems. Holding to this view, one could argue that the airline industry was regulated for reasons such as national defense or curtailment of monopoly powers. Therefore, the public benefited from regulation.

The second view of regulation, called the private-interest theory, holds that regulation is sought to enhance the wealth of some at the expense of the other members of society. Stigler assumes "regulation is acquired by the industry and is designed and operated primarily for its benefit."[1] In this case, the government is the mechanism by which groups of like-minded people transfer wealth from society to their own particular interest group.[2] Holding to this view, one would argue that the airline firms and aircraft manufacturers benefited from regulation.

Christine Chmura, a graduate of Clemson University, is Assistant Economist at the Federal Reserve Bank of Richmond, Virginia.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The Beginnings of the Airline Industry

A review of the airline industry's history reveals that without the support provided through regulation, the industry would not have begun or become established as early as it did. The private-interest theory predicted that airline firms lobbied to obtain the benefit of regulation for their industry. The airline industry did, in fact, obtain direct subsidies, control of entry, and price fixing.

The first airline service in the United States began in 1914 and lasted four months.[3] Passenger airlines were seldom successful because of the high cost of service and existing satisfaction with ground transportation. At that time in history, private firms could not provide airline service profitably, so the government was called in to provide the needed support. The resulting history is an example of what can happen when the government interferes with free-market operations.

The first main piece of legislation enacted with regard to the airline industry is the Kelly Act (Air Mail Act of 1925). It led to a substantial increase in commercial air transportation in the United States. In essence, the Post Office provided the income necessary to operate private air carriers through airmail contracts that were previously carried out by the Army. This Act was intended to develop and stabilize the industry rather than regulate questionable practices. That is, regulation was akin to a direct cash subsidy. Under the Kelly Act, eight routes were advertised through which carriers could receive up to 80 percent of postal revenue.[4]

Problems stemming from the Kelly Act led to the enactment of the McNary-Waters Act of 1930. As an amendment to the Kelly Act, it allowed the Postmaster General to extend or consolidate routes as he found necessary to promote public interest. Even though competitive bidding was still utilized to obtain mail carrier routes, strict standards had to be met in order to qualify. This made entry into the industry more difficult.

In 1930, Postmaster General Brown called a meeting in which he coordinated old routes and established new transcontinental routes. The carriers themselves were given the opportunity to decide who should service the various routes. As a result, by 1933, United, American, Trans World, and Eastern airlines collected approximately 94 percent of the $19.4 million paid to airlines for airmail service.[5]

In 1934, a Special Senate Committee of Air Mail and Ocean Contracts alleged the existence of cartels. Consequently, President Roosevelt canceled the airmail contracts and nullified the Kelly Act.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The job of carrying mail was turned over to the U.S. Army Air Corps, which was untrained and ill-equipped for the task. During this time, passenger and express revenues enabled private airlines to continue operating even though losses were incurred. After two months of poor service and several army pilot deaths, Roosevelt opened competitive bidding to private airlines for temporary contracts until Congress enacted new legislation. The award of routes at this time was important in the development of the U.S. airline system because much of the structure remained until deregulation.[6] New firms entered on the shorter routes, but the longer routes were kept by the large airlines already established.

The impact of the Great Depression caused industries to seek Federal aid and protection from "excessive competition." The Civil Aeronautics Act of 1938 developed in such an environment to help the airline industry along to its full potential that seemingly could not be attained through the free-market system. It transferred regulatory authority from the Post Office to the Civil Aeronautics Board (CAB). This act remained the basic statute for controlling airlines until they were deregulated.

The Civil Aeronautics Act required that all air carriers possess a certificate of public convenience and necessity in order to operate. The "grandfather clause" automatically issued certificates to all carriers operating between May 14 and August 22, 1938. In essence, this gave approval to the airline structure which Postmaster General Brown set up and President Roosevelt attempted to destroy because of alleged collusion. Once again, United, American, Trans World, and Eastern were the major airlines. In addition, there were twelve other airlines.

Certificates were awarded for specific routes. Transfers or abandonments of certificates could occur only if the CAB approved. The Board also had the right to: set exact fares, require information, classify carriers and make rules and regulations for those classes, fix subsidies and service mail rates, and approve and disapprove mergers.[7]

The Kelly Act of 1925 and the Civil Aeronautics Act of 1938 were the primary channels through which the carriers utilized the government to provide cartel services during their early years of existence. Further support that the airline industry used the CAB to limit competition is discerned in their reaction to proposals for increasing competition. In the 1940s, "feeder" airlines were proposed to cover short distance, low density routes. It was only after much persuasion and political influence that such a proposal was accepted by the CAB.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The Deregulatory Period

The effectiveness of the cartel services diminished over time. Although price competition was not permitted by the CAB, non-price competition on many routes caused the profit stream to be normalized. Airlines became too large both in terms of labor and capital expenditures. In the late 1960s, publicized studies and criticism against the CAB began emerging. This series of events eventually led to the signing of the Airline Deregulation Act in October 1978.

The criticism of the CAB policies was avoided until the late 1960s primarily because costs were kept down as airlines switched from propeller planes to jets, which were faster and cheaper to operate. In the 1970s, soaring fuel costs, as well as other inflationary factors, caused those benefits to erode. Airlines were granted fare increases to offset higher operating costs. In the meantime, consumer groups began alleging CAB shortcomings including its favoritism toward the industry.[8]

Critics pointed out that the cross-subsidization pricing policy used by the CAB created a false distribution of costs. Fares on high-density and long-distance routes were set above costs to subsidize service to smaller cities with fewer travelers. The CAB justified its actions with the public-interest argument that a wide network of routes was more in the national interest than exact pricing. The CAB contended that the smaller cities would not have received air service if cross-subsidization did not take place.[9]

Critics also claimed that the CAB pricing policy was self-defeating in the long run. When a few airlines were granted the right to service an over-priced route, they competed by improving services because they could not reduce prices. This caused inefficiency and higher quality service than would otherwise have been demanded: more flight attendants per passenger, better meals served more often, and more frequent flights with smaller load factors.[10]

Overcapitalization

Overcapitalization became a problem because the profits an airline was allowed depended on its capital investment.[11] Profits could be increased by increasing investments. Because airlines were competing by increasing flight frequency, a vicious cycle resulted.

Comments and reports against the CAB became more prevalent in 1973. In a speech to the Financial Analysts Federation, Lewis A. Engman, chairman of the Federal Trade Commission, said,

> If you have any doubt that one consequence of the CAB's control over rates and routes is higher prices, you need only look at what happened some years ago in

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

California when Pacific Southwest Airlines, an intrastate carrier not subject to CAB regulation or entry restrictions entered the San Francisco/Los Angeles market with rates less than half those being charged by the interstate CAB certified carriers TWA, Western, and United.[12]

Engman went on to explain that because of Pacific Southwest Airlines, the CAB was forced to grant the certified carriers a decrease in fares. For that reason, it cost 50 percent less to go from Los Angeles to San Francisco than from New York to Washington even though it was approximately the same number of miles.[13] Fares were 30 percent less for the unregulated intrastate airlines in Florida.[14] Such evidence indicates the airlines could operate at a lower cost in a more competitive environment without regulatory restraints.

When one considers himself in a favorable position, there is no need to be defensive until that position is threatened. The identity of the opponents of President Ford's 1975 legislative proposal to deregulate the industry suggests who might have been the beneficiaries of the existing regulation.

Labor Reaction to Deregulation

The threat of deregulation drew heavy opposition from industry union members who feared losing jobs. The competitive pressures on the main routes caused labor to benefit as a result of regulation. As in Moore's findings for the trucking industry, regulation increased wages.[15] When an operating ratio is used to set rates, the regulatory agency allows rates to increase as the cost of operating rises. Unions are strengthened because management is more willing to grant wage increases knowing that the regulatory agency will compensate for the wage increase with a fare increase. Since the CAB utilized an operating ratio with the airline industry, it is likely that the laborers in the highly unionized airline industry gained as a result of regulation, thus explaining union opposition to deregulation.

Continental Airline's recent bankruptcy based on labor contracts is further evidence that labor benefited from regulation. Labor costs in most airline firms make up one-third of the total operating costs. Today, the management of the old trunk lines are citing high labor costs as a large part of the problem. Consequently, airline firms are instituting pay cuts of up to 20 percent.[16] Newly organized firms that do not have high labor costs are able to operate at a lower cost and charge lower fares.

Consumer Reactions

Consumer opinion supporting deregulation rose as studies such as

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

one by the General Accounting Office were released indicating that the airline industry could have saved nearly $2 billion annually if the Government did not control fares.[17] Consumers did indeed benefit as fares decreased after deregulation occurred. However, a segment of consumers that reacted negatively to deregulation are those who live in small cities. These consumers feared losing airline service as deregulation progressed.

The Reaction of Airline Firms and Manufacturers

The idea of deregulation also drew heavy opposition from a majority of the airline firms and manufacturers. Airline officials initially testified that deregulation would cause insolvency within a matter of months for three major airlines—Eastern, Pan American, and Trans World.[18] They argued that deregulation would lead to less competition because some weaker firms would go bankrupt. A spokesman for the airline industry said they wanted more flexibility to change prices but not freedom to change routes.[19]

In September of 1976, United broke the existing industry anti-deregulation mood by blaming the CAB for its instability and expressing that it did not fear deregulation.[20] By June of 1977, Airwest and Continental joined United in supporting deregulation.[21] Why this change in support occurred is uncertain. However, it can be said that the existing airlines stood to lose just as much by deregulation as they would by continued regulation. With deregulation, they would lose their limited entry status. New firms would come in until economic profits reached zero. As a result, it is likely that some existing firms would be forced to exit the industry. On the other hand, the existing airlines would lose from continued regulation because profits were eroded by overcapitalization and wage increases obtained by unions.

Airplane manufacturers benefited from the overcapitalization non-price competition created in the regulated environment.

Airlines bought more planes when they increased the number of times they flew each route thus providing more business for manufacturers. Airline manufacturers also benefited from deregulation because the increased non-price competition brought on a need for additional aircraft.

Conclusions

Competition was not effectively stifled by the CAB. Although price competition was prohibited, non-price competition emerged in forms such as increased flights, better quality meals, and smaller load factors. Thus, plane manufacturers and some consumer groups benefited

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

from regulation. However, because the profit an airline was permitted to make was based on an operating ratio, labor benefited from the ability to unionize more easily and secure greater wage increases. Thus, non-price competition and the existence of an operating ratio served to route the benefits of regulation away from the airline firms and toward labor and manufacturers.

With the loss of government protection, the airline industry is now passing through a transitional phase. Some existing firms have left the industry and some new firms have entered, as one would expect. Each firm must find and develop its own niche in the free market to survive. I must agree with Edwin J. Colodny, President of US Air, that "re-regulation would be a step backward . . . This is not a time to attempt to unscramble the eggs."

—FOOTNOTES—

[1]George J. Stigler, "The Theory of Economic Regulation," *Bell Journal of Economics and Management Science* (1971), p. 3.

[2]For an in-depth explanation of how the political system is employed by members of society to obtain their desires, see George J. Stigler, "The Theory of Economic Regulation," *Bell Journal of Economics and Management Science* (1971).

[3]George W. Douglas and James C. Miller III, *Economic Regulation of Domestic Air Transport* (Washington, D.C.: The Brookings Institution, 1974), p. 187.

[4]This method involved many difficulties, one of which required the Post Office to complete the laborious task of counting each piece of mail. An amendment of the Kelly Act in 1926 changed the allocation of compensation to a pound basis: $3.00 per pound for the first 1,000 miles and $0.30 per pound for each additional 100 miles. Under this arrangement, it was possible for carrier compensation to exceed postal revenues. In February of 1927, the Postmaster General abandoned charging airmail zone rates and adopted a 10-cent rate per ½ ounce.

[5]Ivor P. Morgan, "Government and the Industry's Early Development," in *Airline Deregulation*, ed. John R. Meyer and Clinton V. Oster, Jr. (Boston: Auburn House Publishing Co., 1981), p. 17.

[6]*Ibid.*

[7]Richard E. Caves, *Air Transportation and Its Regulators* (Cambridge, Mass.: Harvard University Press, 1962), pp. 127–133.

[8]Robert Lindsey, "Airline Deregulation is Weighted," *New York Times*, February 7, 1975, p. 39.

[9]Roger G. Noll, *Reforming Regulation*, (Washington, D.C.: The Brookings Institution, 1971), pp. 17–18.

[10]*Ibid.*

[11]*Ibid.*

[12]Lewis A. Engman, "Regulating Industry," *Washington Post*, October 15, 1974.

[13]*Ibid.*

[14]Lindsey, p. 39.

[15]Thomas Gale Moore, "The Beneficiaries of Trucking Regulation," *The Journal of Law and Economics*, XXI (1979), pp. 327–343.

[16]Mark Clifford, "A Struggle for Survival," *Financial World*, November 15, 1983, pp. 13–18.

[17]Ernest Holsendolph, "Federal Controls on Airlines Seen Increasing Fares," *New York Times*, February 24, 1977, p. 1.

[18]"Ex-C.A.B. Chief Assails Deregulation of Airlines," *New York Times*, August 6, 1975, p. 50.

[19]Holsendolph, p. 1.

[20]Steven Rattner, "United Airlines Took Million Overbookings in Year," *New York Times*, September 8, 1976, p. 52.

[21]Morgan, p. 49.

[22]Edwin I. Colodny, "Airline Deregulation: Friend or Foe?" *USAIR*, January 1984, p. 6.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The Doomsday Myth

WHEN the OPEC nations imposed their oil embargo as punishment for the Western "tilt" toward Israel in the Arab-Israeli War of 1973, it set off a decade of panic about future energy resources. As the OPEC monopoly price rose dizzily toward $36 a barrel (the international price had stood at $2.16 in 1970), the United States made all the wrong moves. Government-imposed quotas kept the oil companies from moving available supplies around to where they would do the most good. And the attempt to control the domestic price level put a premium on wasteful consumption at a time when incentives to new drilling were declining.

Fortunately Americans, in the last year of Jimmy Carter's presidency and during Ronald Reagan's political "honeymoon" month of January 1981, finally woke up to the fact that "letting the government do it" was not the way to get new oil. With fear and trepidation Congress let the price of domestic crude run free. When the per barrel price jumped from a controlled $29 to $36, the gloom-and-doom boys said "We told you so." But as the number of working oil rigs doubled under Reagan, the situation was quickly reversed. A world oil glut developed as wells in Mexico, Canada and the North Sea started producing. OPEC woke up to discover its monopoly had been dissipated. Even with warring Iran and Iraq eliminated as big producers, the other OPEC nations could not stay the glut.

So the big crisis passed into history. In telling the story of how the market, through the instrument of price, gave Arab sheiks their first lesson in the economics of freedom, Charles Maurice and Charles W. Smithson, two authors who call themselves "simple country economists," decided to test the validity of their principles by an appeal to history. The results of their researches are presented in a fascinating book called *The Doomsday Myth: 10,000 Years of Economic Crises* (Hoover

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Institution Press, Stanford, California 94305, 162 pages; $16.95 cloth, $8.95 paperback), with an excellent foreword by Phil Gramm, the Texas Democrat-turned-Republican who has carried the ball for the tax-cutting supply siders in the House of Representatives and is now a candidate for the U.S. Senate on what amounts to a free trade ticket.

Earlier Crises Resolved

Maurice and Smithson skip around a bit in their recital of other economic crises that disappeared when governments decided to let the market work. Their first example is what happened to the food crisis that Thomas Malthus said must last forever and a day if the masses, pressing on the available land, did not practice the continence that was then the one church-approved method of birth control.

Malthus neglected to feed the discovery of the new wheatlands of North and South America into the computer of his mind when he was formulating his dismal equations. He also missed the import of soil analysis, the development of chemical fertilizers, and the wonders of plant and animal breeding. During the time bought by the new sources of agricultural plenty the peoples of the industrialized nations learned how to limit their birth rates. China, India and Africa have not yet learned how to get around Malthus, but there are willing teachers in the West who could tell them how to do it.

From Malthus the authors jump back to the twentieth century to consider the big rubber crisis of the early days of World War II. In 1940 all but two percent of U.S. rubber consumption came from natural rubber supplies in the Far East. When the Japanese moved south to conquer the East Indies, this seemingly spelled doom for our war effort. No one could visualize an army moving on anything else than rubber tires.

It so happened, however, that our chemists, with their "neoprenes," their "bunas," and their "butyles," had already unlocked the secrets of synthetic rubber. The war shortages compelled a quick investment in new synthetic rubber plants—and within two years there was enough rubber to go around even for civilian automobile tire replacements. The British, who had neglected synthetic rubber chemistry when they put their trust in the so-called Stevenson Plan for upholding a monopoly in tree-grown rubber, were glad to forget their own cartel pretensions by importing their needed World War II rubber from America.

The timber crisis which so frightened President Theodore Roosevelt and his chief forester Gifford Pinchot in the early years of the century vanished when the railroads,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

John Chamberlain's book reviews have been a regular feature of *The Freeman* since 1950. We are doubly grateful to John and to Henry Regnery for now making available John's autobiography, *A Life with the Printed Word.* Copies of this remarkable account of a man and his times —our times—are available at $6.00 from The Foundation for Economic Education, Irvington-on-Hudson, New York 10533.

unwilling to pay the high prices demanded for crossties, began to study means of wood preservation. As they extended the use of their crossties by chemical treatment and by better lumber species selection they also ceased to build bridges, piling, railroad cars, fences, tunnels, wharves and station platforms out of wood. As for the housing industry, bricks, stone and concrete began to replace timber. The American wood crisis gradually faded out, following the pattern of what happened to timber crises in seventeenth and eighteenth century Europe. Britain defeated the high price of wood, both domestic and imported, by creating a brick industry and by turning to coal for fuel.

We are reminded by Maurice and Smithson that the high price of charcoal constituted an early energy crisis that was not overcome until a coal burning furnace had been developed that could be used in producing wrought iron. When that miracle had been accomplished, the age of coal really began. It fouled up much of England with its grime and fumes, even spoiling the taste of beer for a time, but it sparked the industrial revolution for a couple of centuries before giving way to oil.

As for oil itself, it came as the answer to an early illumination crisis when the over-hunted sperm whale became scarce even in the far reaches of the Pacific Ocean. Maurice and Smithson make the point that the techniques for drilling water wells were available to Edwin Drake, the retired railroad conductor, when he hired William Smith, an experienced well driller, to go after the source of "rock oil" seepages in northwestern Pennsylvania.

The oil stank until Benjamin Silliman of Yale and others learned how to refine it, but it was cheaper than whale oil. When the Rockefellers got into refining, America's first oil crisis was overcome. Oil quickly became so plentiful that Standard Oil yearned to monopolize oil transportation in order to sustain the price. But new gushers, such as Spindletop in Texas, ended all hopes for a monopoly even before the Supreme Court broke up Standard Oil. OPEC should have studied this history before trying its big price gouge.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

BROKEN EARTH: THE RURAL CHINESE
by Steven W. Mosher
(The Free Press, a division of Macmillan, Inc.,
866 Third Avenue, New York, NY 10022), 1983
317 pages ▪ $17.95 cloth

Reviewed by Bettina Bien Greaves

STEVEN MOSHER was one of the first few Americans to be admitted to China after January 1, 1979, when diplomatic relations were resumed between her and the United States. As a "cultural anthropologist" and specialist on China associated with Stanford University, he planned to study how the people of China lived. He had mastered conversational Cantonese and was hoping to have the chance to live among the people.

Foreigners have always encountered almost insurmountable barriers to mingling with, and getting to know, the Chinese people. In the first place, as Mosher notes, Chinese is "one of the world's most difficult languages." Also, westerners, being so conspicuous, can easily be quarantined behind a "cordon sanitaire" of tour guides, interpreters and travel restrictions. These barriers have increased since the Communists came to power on mainland China, for the people themselves, after suffering oppression for many years under arbitrary and unpredictable government programs, are hesitant to associate with outsiders lest they come to the attention of the authorities.

Long before Mosher went to China, he had set aside "the myth of monolithic Chinese communism." Nevertheless, for many months, "one Party claim still seemed to me to hold true," Mosher wrote, "namely that the establishment of the 'New China' had benefited the Chinese peasant. I did not know it at the time, but I was still a captive of the paramount myth of the Chinese revolution." And some of the persons who contacted him early in his stay reinforced his convictions, purposely misleading him by portraying China's situation as rosy. Only gradually did he come to realize that there were no grounds for his belief in the postrevolutionary improvement of the peasants' condition. Only as he came to recognize that the peasants had been better off before World War II than at any time since, that their conditions had deteriorated sharply under the Communist regime, could he begin to ask questions that led him to the truth.

Complicated government regulations and red tape made difficult Mosher's task in getting located. Yet he was fortunate in receiving permission to spend his year outside the urban centers where he could

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

live, talk and socialize with Chinese peasants, getting to know many of them quite well.

As Mosher's visit lengthened he found many of his village neighbors to be sociable and friendly, willing to talk and to help him with his research. They were usually loyal to old Chinese traditions, family and community, as well as hardworking and industrious when tilling their small private plots. Although most were outwardly submissive toward local government representatives, the cadres, and cowed by the ever-present threat of government persecution, they were unenthusiastic workers on commune projects and often quite ingenious in sabotaging public projects of which they disapproved.

The violence and atrocities inflicted in the name of the Communist regime's various crash campaigns left their marks on many victims. During the "Cultural Revolution," Mao had called on the Chinese youth "not only to demolish all the old ideology and culture . . . but also to create and cultivate among the masses an entirely new, proletarian ideology and culture." No one suspected of being an employer, a landowner, an intellectual or of possessing "cultural contraband," i.e., "anything that could be connected with the past or with the West" was safe from persecution. At any time he might be forced "to stand with bowed head and humble demeanor before a hostile crowd of people . . . who denounce him for his supposed crimes and demand a full confession." Anyone who spoke out in defense of the accused could also expect to be denounced.

Few victims could long resist such abuse; many committed suicide; millions died or were killed. Those persecuted in this way were among China's most exceptional persons, the most intelligent, industrious and energetic. The few who survived were usually broken emotionally. Their ambition gone, they were anxious only to avoid anything that would make them stand out from the crowd.

Mosher's description of life in China reads like Orwell's *1984*—rigid work schedules, rationing and food shortages, close supervision by local government cadres of many facets of daily life even in the villages and hamlets, strict birth control, compulsory abortions and occasional infanticide to control population growth, and even the rewriting of history. In the words of one of Mosher's Chinese aquaintances: "Everyone knows that the Cultural Revolution was wrong, that the Great Leap Forward was wrong. For half of our history since the liberation—fifteen years out of thirty—we have followed an incorrect line. This is a fact. The Party wants us to forget the past, so I have

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

to rewrite all of these old reports. But how can we possibly forget? We should learn from these mistakes, not just pretend that they never happened."

In 1979–1980, when Mosher was in China, the government under Deng Xiaoping was just starting to try to bring about changes. It was introducing a new program to "modernize" (1) industry, (2) science and technology, (3) agriculture and (4) the military. The people were permitted, for a time, to mount on the Xidam Democratic Wall posters and messages dealing with current social problems. The intellectuals, though better off than at any time since the 1950s, remained wary, however, for they knew how capricious their government could be. Some small private enterprises were being permitted and more specialization and individual responsibility were being fostered among farmers. However, the bloated bureaucracy remained, and still remains, as well as a great deal of oppression.

As Mosher realized, China is certainly not a monolithic society. Conditions and ideas vary from community to community. There is undoubtedly resentment and some latent opposition to government policies, especially against the compulsory family planning and enforced abortions, which fly in the face of Chinese tradition. However, most of the Chinese have little time or energy under present conditions to devote to ideas. Moreover, the outlet for criticism of the government, the Xidam Democratic Wall, has been closed down and there is no effective way for dissident persons to communicate with one another. Government operates the communications media and censorship still prevails.

On the one hand, the government seeks to encourage technology but on the other it discourages open debate and discussion. Deng Xiaoping does not realize that advanced technology comes hand in hand with a system of government that respects individual freedom and protects private property. A government that attempts to control its people from the top leaves little opportunity for innovators to invent, communicate and experiment.

The officials in the Chinese regime should take a leaf from the writings of the late Ludwig von Mises who explained that the thinkers, philosophers and economists are no less important in the development of technology and the higher standard of living technology makes possible than are the technicians and inventors themselves:

> The great change that within a few decades made England the world's wealthiest and most powerful nation was prepared for by a small group of philosophers and economists. . . . these authors expounded the doctrine of free trade and laissez faire. They paved the way for a

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

policy that no longer obstructed the businessman's effort to improve and to expand his operations ("Capital Supply and American Prosperity," 1952).

Steven Mosher has written a revealing book about life in communist China and how the people cope with an overbearing government. His is a very sympathetic portrayal of the country people, who are doing the best they can under difficult conditions. In describing how the people live, however, he reveals a great deal about China's totalitarian regime. Apparently this was the reason that Mosher was denounced by the Chinese government as a "foreign spy" and forced to leave the country. Stanford University also severed its association with him. Mosher is now writing another book about China—one that should tell us still more about life "behind the bamboo curtain."

WE MUST DEFEND AMERICA
by Lt. Gen. Daniel O. Graham
(High Frontier, 1010 Vermont Ave., Suite 100, Washington, D.C. 20005), 1983
114 pages • $2.95 paperback

Reviewed by Joseph S. Fulda

NUCLEAR weaponry presents several vexing problems to libertarians concerned that the use of force in self-defense must be in a morally permissible fashion. Philip Lawler has delineated the issues in the Fall 1983 *Intercollegiate Review:* "A just war must conform to two sets of conditions: those that define the circumstances under which a war may be waged (*ius ad bellum*), and those that define the permissible standards for the conduct of war (*ius in bello*)." Offensive nuclear weaponry is problematic especially as regards the second criterion.

Along comes Lt. Gen. Daniel O. Graham with a well-written and stirring book born of his experience as project director of the private and independent High Frontier project which addresses just these problems.

In his book, General Graham outlines a nonpacifist strategy for survival in the nuclear age which concentrates on defensive weaponry, rather than offensive weaponry. Using technology already available twenty-five years ago, Graham believes and convincingly argues that an anti-missile satellite system which uses the so-called kinetic energy kill rather than the more sophisticated "beam weaponry" much discussed nowadays could easily, inexpensively, and rapidly be deployed without any of the moral problems that offensive nuclear weaponry and the associated philosophy of mutual assured destruction of whole populations entail.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

But General Graham goes beyond his exciting, but nontechnical suggestions for a military defense against the nuclear threat. He also calls upon America to develop the high frontier of space for commercial purposes. The advantages of space manufacture are numerous and Graham explains them clearly: near-perfect vacuum, lack of gravity, sterility, unlimited heat absorption (the temperature in space is four degrees above absolute zero), and easily accessible solar power. Graham calls upon government to exercise its night watchman function in space, so that private enterprise can produce goods there more cheaply and efficiently than would be possible on Earth. Unfortunately, he writes, "government has yet to provide the security required in space for private investment." One of the obstacles is, hardly surprisingly, the United Nations with its redistributionist philosophies.

The book is remarkable for its use of historical metaphor, its clarity and brevity, and its adherence to a libertarian defense and economic space policy. Its only flaw is that because it was apparently written in haste, some illustrations are missing and the proofreading is inadequate. It is most highly recommended.

Freeman **binders**

- handsome blue leatherlex
- each binder holds twelve issues
- a handy way to organize current and past issues of *The Freeman*

$5.00 each

Order from:
THE FOUNDATION FOR ECONOMIC EDUCATION, INC.
IRVINGTON-ON-HUDSON, NEW YORK 10533

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

IDEAS HAVE CONSEQUENCES

Any idea becomes our own as we are exposed to it and accept it and practice it and can explain it to friends—all done without coercion.

This pretty well describes the activities of FEE—seeking, practicing, sharing ideas on liberty, that liberty which Lord Acton identified as "the assurance that every man shall be protected in doing what he believes his duty against the influence of authority and majorities, custom and opinion." If you'd care to join in pursuit of such ideas and ideals, just use the form below to reserve your place on **The Freeman** mailing list.

If you're already on the mailing list, but have a new address, please use this form to let us know of the change and to minimize any delays in delivery.

Sorry, this is not a mailing card; please enclose in a stamped envelope.

THE FOUNDATION FOR ECONOMIC EDUCATION
IRVINGTON-ON-HUDSON, NEW YORK 10533

☐ Please add my name to receive THE FREEMAN, 64-page monthly study journal of free market, private property, limited government ideas and ideals, plus NOTES FROM FEE, a 4-pager devoted to libertarian methods, issued every other month.

☐ I'm already on your mailing list, but have a new address, as below.

Name _____ (Please print)

Street _____

City _____ State _____

Zip Code _____

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

AUGUST 1984

Morals and the Welfare State—A Page on Freedom, No. 10	F. A. Harper	451
Leave the Pricing to the Market	Russell Shannon	452
Stewards of the Candle, Keepers of the Flame	R. K. Foley, Jr.	455
Myths of Employment Protection	Ronald M. Ayers	465
Robber Barons and the Real Gilded Age	Edmund A. Opitz	468
Orwell's *1984*—and Where We Stand	Ronald Larson	475
The Drift of Modern Psychology	Ivan Thorn W. K. Kilpatrick	478
An Experience on the Mount of Olives	H. V. Prochnow	488
Marxspeak—Marxthink	W. H. Peterson	490
The Market and Scarce Resources	Joseph S. Fulda	497
The Effects of Airline Regulation	Christine Chmura	498
BOOKS:		
The Doomsday Myth	John Chamberlain	505
Other Books		508

THE FOUNDATION FOR ECONOMIC EDUCATION, INC.
30 South Broadway
Irvington-on-Hudson, New York
10533

Non-profit organization
U.S. POSTAGE
PAID
Foundation for
Economic Education, Inc.

MR. RICHARD G. NEAL
3701 S.GEO.MASON DR., 1715N
FALLS CHURCH VA 22041

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED